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Dorset County Council

Dorset County Council

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

Issued 17 July 2019 for the meeting on 26 July 2019

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Introduction

The key messages in this report

I have pleasure in presenting our final report to the Audit and Governance Committee on Dorset County Council (the Council) for the 2019 audit. The scope of our audit was set out within our planning report presented to the Committee in February 2019.

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	Our audit is in progress subject to completion of the following principal matters: • completion of audit fieldwork (including confirmation from pension specialists of pension liability assumptions, work in relation pension membership data, and input data for valuations and completion of SURL testing); • receipt of information from Dorset County Pension Fund auditors; • receipt of final financial statements and our review; • receipt of narrative reports, and our review; • 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 an oral update on the completion of these matters at the meeting of the Audit and Governance Committee.
Status of the Pension audit	Included in this paper on pages 16 are slides referring to our work on the Dorset County Pension Fund which the Council hosts. We have also included any recommendations in the other significant findings section. We will be providing a separate ISA 260 to the next Pension Board meeting. Our audit of the fund is substantially complete subject to completion of the following principal matters: • Satisfactory completion of our procedures over the valuation of investments; • Satisfactory completion of our purchases, sales and change in market value testing; • Satisfactory completion of our opening balances testing upon receipt of the March 2018 investment report from StateStreet; • Satisfactory closure of our partner and quality assurance review comments on our journals testing; • Receipt of a signed representation letter from the Audit Committee; • Satisfactory completion of our post-year end events review; • Satisfactory completion of our quality assurance reviews.
Conclusions from our testing	• We identified one significant audit adjustments and two disclosure deficiencies. • Based on the current status of our audit work, we envisage issuing an unmodified financial audit opinion on the Council's accounts. In relation to the reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources we intend to issue an except for opinion in respect of Children's Services. Please see pages 11 -12 for further detail. No references to the Annual Governance Statement will be made.

Introduction

The key messages in this report (Continued)

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.

Narrative Report & Annual Governance Statement	• We have reviewed the Council's Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work. • The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE. • We have no matters to raise with you in respect of the latest version of the Narrative Report.
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 (WGA)	• The Council is a sampled component for WGA reporting. • We are required to perform testing on the Council's WGA submission, checking its consistency to the audited financial statements and reporting our findings to the National Audit Office (together with our audit opinion and key issues from our audit.

Our audit explained

We tailor our audit to the Council and your strategy

Identify changes in your business and environment

In our planning report we noted that we had spent time with management understanding the current year matters and prepared our risk assessment for the audit. We have kept this under review throughout our audit

Scoping

Our planning report set out the scoping of our audit. We have completed our audit in line with our audit plan.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We would like to draw to your attention to a number of findings, further detail of which is found on page 17.

Determine materiality

When planning our audit we set our group materiality at £14.4m based on 2% of total expenditure per the 2017/18 accounts. We communicated in our March 2019 paper, that we changed our % to 1.7%.

This figure has been updated based on the 2018/19 group accounts resulting in a materiality level of £12.87m. We report to you in this paper all misstatements above £643k. For our Dorset County Council Component materiality of £12.61m, and a clearly trivial threshold of £634k were used.

We set a specific materiality for the Dorset Pension Fund accounts. The figure for 2018/19 is based on 1% of net assets. This results in a materiality of £30.3m.

Conclude on significant risk areas

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

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.

Our audit report

Based on the current status of our audit work, we envisage issuing an unmodified audit report with respect to the financial statements. For our Value for Money opinion, we envisage issuing an except for opinion. See pages 13 and 14 for further detail.

Significant risks

This dashboard highlights the County Council significant risks.

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Property Valuations	✓	✗	D+I	Requires improvement	●	Satisfactory	7
Completeness and Cut-off of Expenditure	✓	✓	D+I	Satisfactory	●	Satisfactory	9
Defined Benefits Pension Scheme	✓	✗	D+I	Satisfactory	−	Satisfactory	10
Management Override of Controls	✓	✓	D+I	Requires improvement	●	Satisfactory	12

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)

Property valuations

Risk identified

The Council is required to hold property assets within Property, Plant and Equipment and Investment Properties at their fair value at the balance sheet date. These fair value 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

Property assets are re re-valued as part of the Council's five year rolling programme for the re-valuation. The valuations are carried out by the Council's in house valuation team.

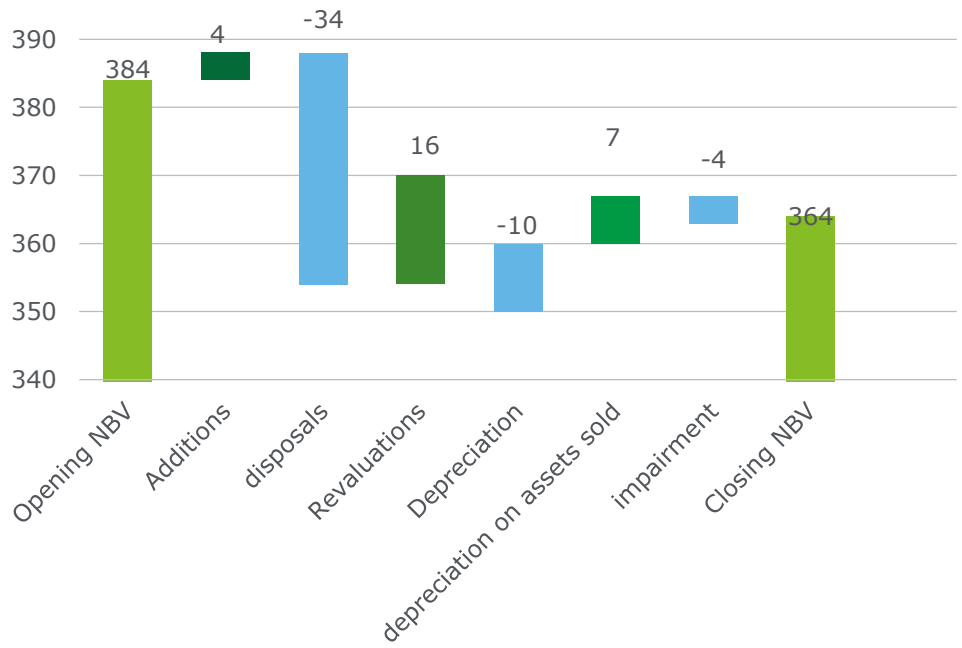
The financial year to 31 March 2019 represented part of a five year rolling programme. Each year 20% of the Council's portfolio is valued, except for Assets Held for Sale and Surplus Assets which are revalued every year.

The valuation was prepared ahead of year-end as at 1 October 2018 (except for farms, 1 April 2018). For the assets not specifically valued, the average uplift in value across the 20% of assets being valued in the year is applied to the 80% of assets not valued in year.

The valuer confirms to finance that no material movements in value have occurred between the 2018 reviews and 31 March 2019. For Assets not specifically reviewed in year, impairment review by asset type are performed.

The 20% of property assets or classes of assets subject to valuation for 2018/19 included:

- Surplus Assets held for sale
- Surplus Assets not held for sale
- Primary Schools
- Foundation Schools
- Secondary and Special Schools
- PFI Schools
- Waste Centers
- Libraries
- Miscellaneous assets



The valuer identified £4m worth of impairments, including:

- Land at the Dorset Innovation park (918k), land for Hazelbury Bryan Primary School (510k) and Lychett Matravers Youth Centre (422k).

The main movements supporting the downward trend in the net book value are the disposal of assets at £34m this is primarily due to schools converting to academy status in year, and on occurrence, the school buildings are removed from the Council's asset register. Revaluations upwards added £16m to the Council's net book value.

Significant risks (continued)

Property valuations

Deloitte response

- We tested the design and implementation of key controls in place around the property valuation, including how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation and between the valuation date and year end.
- We reviewed revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals.
- We used our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets including considering the assumptions made of movements between the valuation being performed in October 2019 and the year-end and how assets not specifically revalued in year.
- We used our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the impairment assessment completed as part of the year end valuation update.
- We tested a sample of revalued assets and reperformed the calculation of the movement to be recorded in the financial statements to check correctly recorded.

Deloitte view

We have raised a number of recommendations in relation to the valuation of property assets which should be considered by the Council going forward, as discussed on page 33 -34.

Overall, we have concluded that the net book value of property assets is not materially misstated. The Council's valuation assumptions are generally reasonable, in line with other Councils and fall within the expected range highlighted by Deloitte Real Estate.

Significant risks (continued)

Completeness and Cut-off 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 in our planning paper specified identified that the fraud risk lies with the completeness of expenditure, in the following budget areas for the Council: Care and Protection (Children's Directorate) and Adult Care Service User Related (Adult & Community Services Directorate) We have identified the risk that the Council may materially misstate expenditure through the accruals and provisions balance, including year-end transactions, in an attempt to report a more favourable year end position.

As a result of our initial year end audit work, we have revised this risk to be wider than just the Children's and Adult & Community Services Directorate. There is an inherent fraud risk associated with the under-recording of expenditure in order for the Council to report a more favourable year-end position. There is a risk that the Council may materially understate expenditure through the year end accruals and provisions balances, in an attempt to report a more favourable year end position.

Deloitte response

- We obtained an understanding of the design and implementation of the key controls in place to ensure the completeness of accruals and provisions.
- We performed focused testing in relation to the completeness of accruals through testing of post-year end invoices raised and payments made.
- We reviewed provisions to assess completeness including confirming there are no legal claims outstanding requiring a provision to be made.

Provisions

The provisions disclosed in Note 41 are as follows:

	Balance 1 April 2018 £'000	Income £'000	Payments and / or Transfers £'000	**Balance 31 March 2019 £'000**
Misc Provisions	74	236	237	**73**
Schools Reorganisations	400	5,119	2,566	**2,953**
CRC permits	-	-	-	**-**
General Insurance Provision	2,815	530	491	**2,854**
	3,289	5,885	3,294	5,880

There were no material movements in the provisions in the table above.

Accruals

The accruals balance is not split out separately from note 40, however as part of our testing we specifically identified the Accruals balance and completed testing. The movement between 2018/19 and 2017/18 was not material:

2017/18	2018/19	Change
£27.986m	£25.886m	£2.1m

Deloitte view

Overall, we expect to concluded that expenditure is not not materially misstated.

Significant risks (continued)

Defined benefits pension scheme

Background
The Council participates in the Local Government Pension Scheme (LGPS), administered by Dorset County Council.
The net pension liability has increased from £685m at 31 March 2018 to £703m at 31 March 2019 for the reasons shown to the right.

The Council's pension liability is affected by the McCloud legal case in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015.

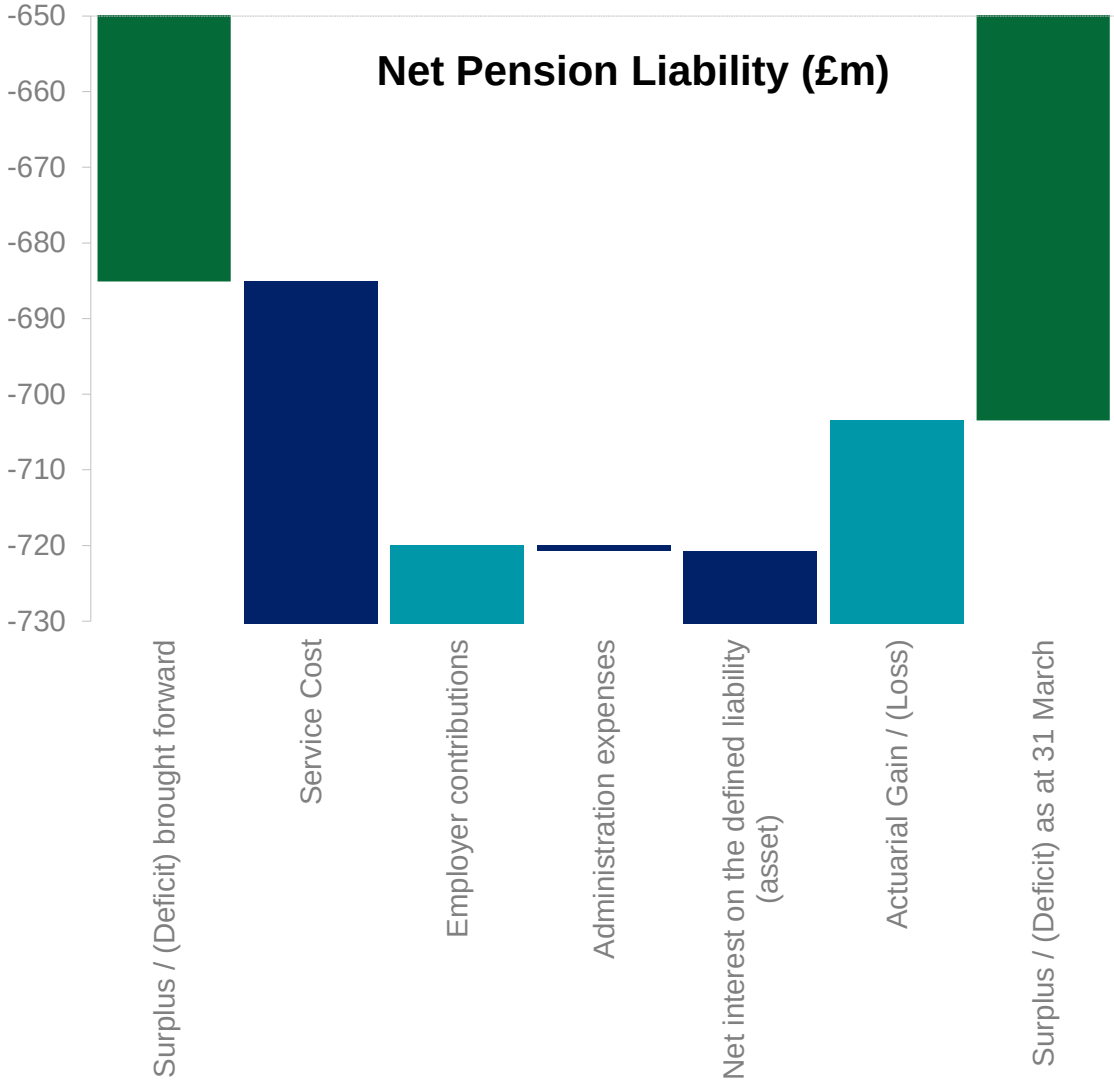
Subsequent to year-end, the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability.

As a result the Council is required to recognise the cost associated with remediating the discrimination. At present there has not been a ruling on the specific form of the remediation's required, however a number of different factors impact on this – including the average age of the plan membership, and salary growth assumptions.

The Government Actuaries Department (GAD) have modelled a prudent estimate of the impact of the ruling for LGPS at 3.2% of active member liabilities, based on an average age of 46, and salary growth equating to Consumer Price Index inflation plus 1.5% for active members. For the Council this equates to an increase in liabilities and past service costs of £20.8m.

The Council's actuary, based on their own modelling believe the remediation impact to be less, increasing liabilities and past service costs by £12.4m. Both of these are estimates of the impact of McCloud.

The Council has decided to recognise a prudent impact of the McCloud judgement, following the GAD modelling of the judgement's impact increasing its liability and past service costs by £20.8m.



Significant risks (continued)

Defined benefits pension scheme

Deloitte response

- We obtained understanding of the design and implementation of the key controls in place in relation to review of the assumptions by the Council.
- We evaluated the competency, objectivity and independence of Barnet Waddingham the actuarial specialist.
- We reviewed the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used.
- We have completed testing on the plan assets as part of our work on the County Pension Fund.
- We reviewed the pension related disclosures in respect of actuarial assumptions in the financial accounts for consistency with the Actuary's Report.

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.40	2.40	Reasonable
Retail Price Index (RPI) Inflation rate (% p.a.)	3.40	3.25	Prudent
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.4	2.25	Prudent
Salary increase (% p.a.)	3.90	Council specific	Reasonable
Pension increase in payment (% p.a.)	2.40	2.26	Reasonable
Pension increase in deferment (% p.a.)	2.40	2.21	Reasonable
Mortality	S2PMA base tables CMI 2018 projections with a 1.5% p.a. long-term trend	Fund-specific base tables CMI 2018 projections with a 1.25% long-term trend.	Reasonable Very prudent

Deloitte view

We are awaiting our final specialist's review of the pensions assumptions, but our initial view is that on the whole, the set of assumptions is reasonable and lies towards the prudent side of the range of assumptions when compared with the Deloitte benchmarks. Furthermore testing of the membership data remains outstanding. We will give a verbal update at the meeting as to our final conclusions.

Significant risks (continued)

Management override of controls

Risk identified
In accordance with ISA 240 (UK and Ireland) management override of controls is a significant risk 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.

Deloitte response

- We tested the design and implementation of key controls in place around journal entries and key management estimates.
- We risk assessed journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud.
- We did note identify any significant transactions that were outside of the normal course of business for the Council

Significant and unusual transactions

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

Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have used our 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 have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. No issues were noted.

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: completeness of expenditure, valuation of the Council's property, the pension liability, as discussed elsewhere in this report.

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

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value.

Deloitte view

We have not identified any significant bias in the key judgements made by management based on work performed.

We have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed.

We have raise one finding in relation to journals – see the other significant findings section.

Significant risks in relation to our Value for Money Opinion

Deloitte risk assessment

- We reviewed the Council's draft Narrative Report, Annual Governance Statement and relevant Council papers and minutes.
- We considered the Council's financial results for the year.
- We considered matters identified by the National Audit Office as potential value for money risks for Councils for 2018/19.
- We reviewed all Ofsted reports issued in 2018/19.
- We considered the fact that Internal Audit were unable to progress the following internal audits in the Children's directorate: Fostering, Children's Social Care Caseload Management, Effectiveness of Social Care Practice, and Readiness for Ofsted Inspection

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.

Conclusion

Based upon the work performed in our risk assessment, we identified significant risks in respect of sustainable resource deployment and working with partners and other third parties.

Significant risks in relation to our Value for Money Opinion

We will issue an "except for" conclusion

Conclusion	**Proper arrangements for Sustainable resource deployment and Working with partners and other third parties.**
We will be issuing an "except for" opinion on VfM arrangements	In July 2018, Dorset County Council received the findings of an inspection by Ofsted, the Care Quality Commission (CQC), HMI Constabulary and Fire & Rescue Services (HMICFRS) and HMI Probation (HMIP) completed in May 2018 into the multi-agency response to child sexual exploitation, children associated with gangs and at risk of exploitation and children missing from home, care or education in Dorset. The report identified that: there are many concerns regarding practice in Dorset County Council, including: 'the most vulnerable children are not being sufficiently safeguarded by local authority and while some work is of a reasonable quality, the poorest work is very poor'. The report noted that the Council needed to ensure that it effectively balances an outward focus on partnership working alongside the comprehensive internal improvement work underway. In March 2019 Dorset County Council received the findings of a follow up inspection by Ofsted and the CQC completed in February 2019 of Special Education Needs / Disabilities provision in Dorset (specifically where Dorset County Council is responsible). This follow up inspection was to consider whether the local area has made sufficient progress in addressing the areas of significant weakness first identified in their March 2017 inspection. The inspectors were of the opinion that local area leaders have not made sufficient progress to improve with the following significant weakness still present: • Weaknesses in the monitoring and quality assurance procedures to challenge and support provision and improve outcomes for children and young people; and, • Significant proportion of parents describe their concerns at the extent of the delays, the lack of support and lack of communication, transparency and involvement at strategic and individual level; and, • Low conversion rates from statements of special educational needs to education, health and care plans and a lack of timely completions of new EHC plans with appropriate and personalised outcomes. As a result, the inspectors have refered the matter to the Department of Education and NHS England for consideration and further action. This may include the Secretary of State using his powers of intervention. The issues described above are evidence of weaknesses in proper arrangements for planning, organising and developing the workforce effectively to deliver strategic priorities and working with third parties effectively to deliver strategic priorities.

Areas of audit interest

As part of our planning the following areas of audit interest were identified. None developed into significant risks.

Dorset Council

On the 1 April 2019, Dorset County Council merged with East Dorset, North Dorset, Purbeck, Weymouth & Portland and West Dorset Councils to form Dorset Council.

As part of the merger, there will be a workforce consolidation process, which could lead to key staff involved in the delivery of the Council's financial information leaving, which could impact on the ability to provide information to the audit team or staff prioritising merger related tasks rather than business as usual tasks or audit requests.

As part of the merger process the Finance Team has been asking our opinion on a number of issues, for example future accounting policies.

Deloitte Response:

We scheduled a larger interim audit to complete as much work as possible before the merger takes effect, and scheduled an earlier final audit to mitigate the risk of key staff leaving. As part of our Value for Money work we have included specific considerations in respect of the merger. No issues were identified.

Specialist Debt

The Council has the following specialist debt:

- £54.5m Lender Option Borrower Option loans (LOBOs); and,
- £25m Local Authority Loan Notes (LALNs).

There has been significant media attention on Local Authorities holding LOBOs / LALNs and the potential onerous nature of the contracts.

In addition the 18/19 CIPFA Code was revised for IFRS 9 and CIPFA / LASAAC issued clarification statement on accounting for LOBOs in May 2018.

Deloitte Response:

We identified that the specialist debt are 'vanilla' LOBOs and LALNs with no penalty for repaying the loans if the Council does not agree to the revised interested rate. We agreed the fair value valuations to Link, the Council's experts, and tested the loan Covenants. No issues were identified.

Private Finance Intiative (PFI)

The Council has two PFI contracts (Colfox School, and streetlight provision across the County) with total liabilities as at 31 March 2019 of £27.7m

The capital repayments, interest charges and service charges are calculated using the Council's PFI model. This is based on a variety of inputs.

Deloitte Response:

We involved a Deloitte specialist to review the Council's PFI models, and we reviewed the accounting treatment to ensure it is in line with the Code / IFRIC 12. No issues were identified.

Dorset County Council Pension Fund

Results from our audit

Significant risk | Audit focus area

When planning our audit we set the following audit quality objectives for this audit: to obtain sufficient, relevant and reliable audit evidence to enable us to express an opinion on the statutory accounts of the Fund prepared under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC. There have been no changes to our scope, risk assessment or procedures from our April 2019 Planning Report to the Audit Committee. Our conclusions and observations are noted below subject to the list of outstanding items detailed on page 3

Materiality was calculated using 1% of Fund net assets at £30.3m with a clearly trivial threshold of £0.3m.

Risk Area	Risk Type	Fraud Risk	Comment
Management override of controls	Significant risk	✓	We have used our audit analytic software "Spotlight" to interrogate journal entries and have not identified any instances of management override from our audit procedures.
Completeness and accuracy of the asset transfer to Brunel Pension Partnership Ltd	Significant risk	✗	We have reviewed the independently received transition and valuation reports from Brunel with no issues noted.
Valuation of direct property investments	Significant risk	✗	We prepared an expectation of the year end valuation of each property held by the Fund using comparable market indices and comparing the expectation to the valuation provided by BNP Paribas Real Estate. We also utilised our experts Deloitte Real Estate (DRE) to assess the fair value of a sample of properties reported by BNP Paribas Real Estate. No issues were noted.
Completeness and valuation of investments and disclosures	Audit focus area	✗	We identified one minor disclosure deficiency whereby the fair value hierarchy disclosure was missing a sensitivity analysis of its level 3 assets as per the CIFPA requirement. This has been addressed in the latest version of the financial statements. No other issues were noted with our testing. We recommend performing either a book cost, unit or cash reconciliation quarterly. We understand from speaking to management that this is planned in the future and 2018 was the first year with StateStreet as global custodian and this level of reporting will be considered in 2019.
Accuracy of retirement benefits and transfers out values	Audit focus area	✗	There were no issues noted with any of our substantive procedures however while testing the design and implementation of key controls operating within the Aquila infrastructure we raised a number of general IT control findings as detailed on page 23. We have also raised observations surrounding the membership reconciliation process and the benefit calculation review process as detailed on page 22.

There were no uncorrected misstatements or disclosure deficiencies in the financial statements. The Conclusions above are based on the status of our work so far, and we anticipate issuing an unqualified audit opinion, subject to the outstanding items raised on page 3.

Our audit fee for the year ending 31 March 2019 is £19,362 for the Fund.

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. We also have in the appendix detailed observations on the valuation process, including recommendations on how to improve the process for the audit next year.

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.

	Observation	Deloitte recommendation	Priority	Management Response
1	**Arrangements to secure economy, efficiency and effectiveness in the use of resources.** As set out on page 13 and 14, we have modified our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources due to evidence of weaknesses in proper arrangements for planning, organising and developing the workforce effectively to deliver strategic priorities and working with third parties effectively to deliver strategic priorities.	We recommend the Council completes the actions required as soon as possible in 2019/20.	**High**	Agreed
2	**Journal processing controls** We identified that journals are not reviewed before they are posted to the ledger but instead journals over £50,0000 are reviewed retrospectively by a Senior Finance Manager. There is a risk that that incorrect journals are posted to the ledger.	It is recommended a prospective review of journals is completed ensuring any errors identified can be rectified prior to the journal being posted to the system.	**Medium**	Introducing prospective journal checking will require workflow to be built in SAP. The Corporate Director for Finance and Commercial will consider the value of this and the resource requirements of authorising journals against a background of reducing staffing resource.

Other significant findings continued

	Observation	Deloitte recommendation	Priority	Management Response
3	**IT Controls - Lack of user access right reviews** We noted that currently there are no periodic reviews of user rights in the systems to ensure the level of access for users is appropriate.	User access reviews are vital part to make sure access is provided only on 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. We recommend management to introduce a formal review of user accounts and access rights at least annually to detect dormant accounts and accounts with excessive privileges. Related review should be designed to follow up procedures to ensure remediation actions are taken on a timely basis.	**Medium**	We currently review dormant accounts regularly. A review of accounts with excessive privilege will require a review of which roles are higher risk in order to determine what is 'excessive'. ICT Operations will commit to proposing a review of sensitive roles with business colleagues.
4	**IT Controls - Improvement areas for the access right provisioning controls in Mosaic and Synergy. (Mosaic and Synergy are IT systems used by Adult and Children's Services)** The following improvement areas have been identified for the access rights provisioning controls for Mosaic and Synergy systems: - For the Leavers and movers information it is highly reliant on Line managers, and our samples have identified a few exceptions where actions are taken late due to managers submitting forms late. - Leavers/ movers forms are not designed for application support teams to receive all required information. Movers form includes a plain field for comments on the requirement for the change of accounts, however it is not kept mandatory for line managers to fill. Furthermore, leavers information does not include which systems users had accounts.	Leavers/movers information being reliant on multiple number of line managers and insufficient level of data submission will increase the risk of notifications not being performed on a timely basis and inadequate level of actions being taken. We recommend that the movers and leavers process is updated to mandate line managers to submit relevant information in requests to change account permissions on a timely basis.	**Medium**	The starter, mover, leaver processes are currently being reviewed – this requirement will be fed into that process.

Other significant findings continued

Internal control and risk management

	Observation	Deloitte recommendation	Priority	Management Response
5	**IT Controls - Segregation of duties conflict between development and deployment of changes in Mosaic system** We have been informed that System Configurators (two people) have access to both develop and implement changes.	Where users have the ability to both develop and deploy changes this presents a segregation of duties conflict and the risk of unauthorized changes being made without detection. We recommend that management separates these two duties or alternatively introduces a monitoring control of changes made to Mosaic.	**Medium**	We acknowledge that two individuals have this conflicting access permission. The scale of the authority and the frequency of change means, beyond our normal work prioritisation and ICT change management processes, further monitoring and/or exceptional granting of permissions are impractical. The risk is proposed to be accepted.
6	**IT Controls - Business users having administrative rights in Mosaic and Synergy applications** Three business users in Mosaic system and two business users in Synergy system were identified as having privileged accesses although they have business transaction level responsibilities.	Business users having access to administrative privileges in the system constitutes a segregation of duties conflict and may lead to manual controls being overridden without detection. We recommend management identifies business users with administration privileges in the application and removes these. We further recommend an additional check to ensure the related inappropriate access was not exploited during the period it was held.	**Medium**	It is believed that the three individuals identified as 'business users' have since the point of the data feeding the report being restructured into the ICT operational service – action proposed to be closed.
7	**IT Controls - Weak authentication controls on Synergy Database** We noted 83 SQL-Authenticated accounts where there are no password settings enforced. Many of these accounts relate to the third party software provider, Servelec with privileged level of access.	Where no password settings are enforced on database accounts there is a risk that weak passwords are used increasing the risk of unauthorized access to the database and changes to the data. We recommend management reviews these accounts and where possible enforces windows password policy and expiry.	**Medium**	We acknowledge the highlighted issue with regards to no password policy good practice being applied to the SQL-authenticated accounts. These are managed by Servelec, as part of the managed contract, and we will raise this with them seeking an appropriate resolution.

Other significant findings

Internal control and risk management

	Observation	Deloitte recommendation	Priority	Management Response
8	**IT Controls - Segregation of duties conflict between development and deployment of changes on SAP** We noted one user has access to both develop and transport changes on SAP, presenting a segregation of duties issue. Whilst the transported changes are reviewed by IT manager, it has been noted that the list for review is provided to the IT Manger by the same individual.	Users with access to both develop and transport changes presents a segregation of duties conflict and the risk that unauthorized changes are made without being detected. We recommend that where possible users only have access to either develop or transport changes and not both. Alternatively, we recommend that the list of changes to review is produced by a separate individual.	**Medium**	We have removed the conflicting dual role from the identified individual. On occasion the individual will still be required to have dual access, but this will be managed by exception through a formal process with management.
9	**IT Controls - Improvement areas identified around authentication controls for SAP and underlying SQL database:** We have noted the following authentication improvement areas on SAP: - Lockout threshold is set to 10 attempts rather than industry standard of minimum 6 attempts - Expiry is set to 180 days rather than industry standard of 90 days We have further noted that for two SQL-authenticated accounts with privileged access have no password policy enforced on DB level. We have been informed that no password vaults are used to keep related passwords. They are only kept in a password-protected excel spreadsheet.	Weak password settings presents the risk of unauthorized access to the system. We recommend management considers strengthening the lockout and expiry parameters to be in-line with industry standards. Excel spreadsheets are not developed to function as a password manager tool and might not be secure enough to store passwords for privileged accounts. We recommend that a password management tool is used to store passwords to these shared accounts.	**Medium**	The number of password attempts will be reduced to 6 maximum. The expiry time of 180 days for passwords is in line with our corporate password standard, which is itself in line with CESG guidelines. Agreed to review the introduction of a password management tool.

Other significant findings (continued)

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:

No such matters identified.

Significant matters discussed with management:

There have been no significant matters arising from the audit.

Interaction with Internal Audit:

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings where relevant to the external audit. We do not have any significant findings.

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.

Other significant findings - Pension Fund audit

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. As we have adopted a substantive testing approach these failing weaknesses in control did not have a significant impact on our audit work

	Observation	Deloitte recommendation	Priority
1	We identified that the Pension Manager could not supply a membership number reconciliation between 2017-18 and 2018-19. The reconciliation should show movements of members in the financial year and retrospective changes that revised any prior-year figures. This reconciliation this would enhance the robustness of admin procedures and allow for more accurate financial reporting of the fund account reflecting membership movements and would allow us to audit the movement of member numbers, which we have not been able to do.	It is recommended that the Pension Manager develops an Altair report that can count the total (and identify individual) retrospective changes to membership data. In addition, it is recommended that the Pension Database Administrator runs a data extract of Membership data on, or as close to 31 March as possible. It is also recommended that the Pension Fund Manager performs a reconciliation between prior-year reported membership numbers and revised membership numbers.	**Medium**
2	The admin team perform a review of all of the inputs for benefit calculations however no checks are performed over the outputs of the calculations. The team are heavily reliant on the initial design and calibration of Altair to calculate pensions and lump sum benefits.	Some schemes of the size and nature of the Fund have at least one of the below controls: 1. A formal compliance team whose role it is to check whether the correct decisions have been made through the benefits system. Best practice is to independently test a risk based sample of up to 10% of benefit calculations. 2. A formal pensions internal audit team either through a co-sourced or outsourced arrangement who will focus on a number of activities and include routine benefit calculations periodically in their reviews. 3. A 100% manual check on the different calculation routines impacted by system or actuarial factor updates. 4. A periodic 'deep-dive' which is undertaken by the pensions team on instruction by the audit committee. Given the size and nature of the Fund and the tailoring of Intellipen specific for Fund purposes we recommend that the AC considers points 1 and 2 above.	**Medium**

Other significant findings - Pension Fund audit

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. As we have adopted a substantive testing approach these failing weaknesses in control did not have a significant impact on our audit work

	Observation	Deloitte recommendation	Priority
3	**Insufficient level of controls for the user provisioning controls:** The Altair userbase is small at 47 users which results in user access right management controls being operated informally. During our review we identified the following improvement areas pertaining to the management of starters, leavers and movers accesses: - The starters' process does not include any formal documentation which details privileges to be assigned to users in each job role. - Notification of leavers is given verbally and not linked to an HR notification process. - There is no formal user access review process in place. Although a monthly user report is viewed, this only considers employment status and is reviewed by members of the Systems Team, not business users. - Through discussion with Pensions Systems Manager and Systems Officer, it was noted that there is no formalised process for adding/removing access to users moving roles.	Without strong controls over ongoing appropriateness of access, there is a risk that people who change role within the organisation may accumulate excessive privileges or that accounts held by former employees may remain active. Redundant access for leavers constitutes a risk for inappropriate access by other active employees or for external intruders. Management should implement the following activities to reduce the associated risk: - A process to grant new accesses to employees and to disable dormant accounts. - A periodic check of movers and leavers should be performed using HR or payroll records to ensure that any required changes to IT access rights have been notified by line managers and actioned. - The introduction of a formal review of user accounts and access rights at least annually to detect accounts with excessive privileges.	**Medium**

Our audit report

Matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

Our opinion on the financial statements

Our opinion on the financial statements is 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 an except for conclusion in relation to Children's Services.

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 Narrative Report and Annual Governance Statement.

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Council): - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation	We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance. 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. Our review identified a number of minor areas where the Narrative Reports needed revising in order to comply with guidance and to ensure that they were fair, balanced and understandable, which have been reflected in the final version.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. A number of minor changes have been made to the Annual Governance Statement following our review.

Reporting hot topics: UK exit from the EU

Impact on our audit

There is a need to consider implications for your business and for accounting and reporting matters to address in the annual report.

Area	Management actions	Impact on the financial statements	Impact on our audit
Principal risks and uncertainties	Management completed detailed Brexit Planning for Hard deal / No Deal scenarios, following Department for Exiting the European Union and Ministry of Housing, Communities and Local Government guidance. No risks were identified that impact on the financial statements and accounts.	You have concluded that there are no changes to your principal risks or the Council's business. You have disclosed this in note 57.	No impact.
Going concern	Management have concluded as the Council ceased to exist on the 31 March 2019, and in its planning for Brexit no risks were identified no further disclosures were required.	You have concluded that there are no changes to your principal risks or the Council's business. You have disclosed this in note 57.	No impact.
Critical accounting judgements and areas of estimation uncertainty	Management completed detailed Brexit Planning for Hard deal / No Deal scenarios, following Department for Exiting the European Union and Ministry of Housing, Communities and Local Government guidance. The Council has recognised that Brexit could impact on future funding.	You have concluded that there are no changes to your principal risks or the Council's business. You have disclosed this in note 57.	No new audit significant risks have been identified. Management's Valuers and our Property Experts agree that uncertainty over Brexit has been reflected in property values.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

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 Governance 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.

Ian Howse

for and on behalf of Deloitte LLP

Cardiff

17 July 2019

Appendices

Audit adjustments

Unadjusted misstatements/disclosure deficiencies

The following uncorrected misstatements or uncorrected disclosure deficiencies were identified at the time of this report:.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo: Debit/ (credit) usable reserves £m*	If applicable, control deficiency identified
Misstatements identified in the Current Year						
Disclosure of senior staff names	(1)	N/a –this was a disclosure deficiency				
Misstatements identified in the Prior Year						
Local Enterprise Partnership	(2)	11.8	(11.8)			
Total		11.8	(11.8)			

(1) Per the Accounts and Audit Regulations 2015 for senior staff whose salary is £150,000 or more per year, they must also be identified by name

(2) Local Enterprise Partnership Grant. – In 2017/18 the Council accepted a grant in March 2019 from the Local Enterprise Partnership (LEP) for support towards capital projects. This grant was then repaid in full to the LEP in the following financial year in April 2018. Our testing identified due to the substance of the transactions, this grant income should not have been recognised in 2017/18.

Audit adjustments

Corrected misstatements/disclosure deficiencies

The following corrected misstatements have been identified up to the date of this report.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo: Debit/ (credit) usable reserves £m*	If applicable, control deficiency identified
Discount Rate used for Net present value of Future Minimum Lease Payments	(1)	N/a –this was a disclosure deficiency				
Dorset and Wiltshire Fire and Rescue Service Related Parties	(2)	N/a –this was a disclosure deficiency				
McCloud Ruling Adjustment	(3)	20.8	(20.8)			
Asset Held for Sate	(4)	1.5	(1.5)			
Total		22.3	(22.3)			

(1) We have identified that the Council have used a discount factor of 2.6% when assessing the net present value of future minimum lease payments as disclosed in note 12. The discount factor of 2.6% was taken from the Treasury Green Book in 2010/11 and has not been updated in future periods to reflect the updated Treasury Green Book discount rate and therefore the NPV of future minimum lease payments is misstated. The Treasury Green Book discount rate for 2018/19 is given as 3.5%. When extrapolating the error over the population this gives an expected error of approximately £2.1m.

(2) As part of disclosure testing we identified a difference of £1,000.

(3) McCloud – Post year end the council has decided to recognise a prudent impact of the McCloud judgement, following the GAD modelling of the judgement's impact increasing its liability and past service costs by £20.8m. Please see slide 10 for further information.

(4) As part of our asset held for sale testing we identified an asset that was disposed of before year end.

In addition to the above, we also identified a number of minor disclosure deficiencies/errors which have since been corrected by management.

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 and cut off 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 identified.

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 APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	The audit fee for the Council for 2018/19, in line with the fee range provided by PSAA, is £56,997. The audit fee for the Pension Fund for 2018/19, in line with the fee range provided by PSAA is £19,362 No non-audit fees have been charged by Deloitte in the period.
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence. We are not aware of any relationships which are required to be disclosed.

Real Estate Valuation Recommendations

Detailed below are our recommendations in relation to the valuation review undertaken for audit purposes. We consider the implementation of these recommendations necessary to improve the valuations process for future years.

Overall Recommendations:

It is noted that the commissioning/valuation report documents include all the key valuation and accounting references including reference to the valuation being compliant with RICS Valuation – Professional Standards (Red Book) 2014 including revisions made in April 2015. It should, however, be noted that whilst the above Red Book is relevant to the initial valuations that are prepared (reflecting valuation dates of 1 April and 1 October 2018) any updates or impairments for year-end, 31 March 2019 should reference the RICS Valuation – Global Standards (2017) including the UK national supplement (2019).

It is noted that the Council has confirmed that the valuations are prepared by Ben Lancaster, Mark Osborne, Corry Provan and Peter Scarlett. It is noted that Mark Osborne and Peter Scarlett are RICS Registered Valuers. The valuer has confirmed that there is a formal process in place whereby all the valuations prepared are reviewed and approved by Mark Osborne or Peter Scarlett, the RICS Registered Valuers, however RICS guidelines are that all valuers that prepare formal valuations, which includes asset valuations, should be enrolled on the RICS Registered Valuer scheme. On this basis it is recommended that all of the Council's Estate Team that are involved in the preparation of the asset valuations join the RICS' Registered Valuer scheme.

Specific Recommendations:

The Council's Finance and Estates team prepare an Asset Valuation Policy Document (AVPD) each year which sets out the timing, processes, methodologies, assumptions, and other criteria in classifying, assessing and valuing the Council's assets and how they are to be presented for accountancy purposes. In addition to this document brief Terms of Engagement and Valuation Report documents are prepared and these partly replicate some of the sections of the Asset Valuation Policy Document (AVPD). Collectively these documents cover most of the relevant general valuation information and valuation methodology statements, although a number of points were identified where Finance and the valuer should consider and, where appropriate, address in the preparation and documentation of the asset valuations in the future.

It would be useful if the AVPD or the terms of engagement set out a schedule detailing the categories of assets which are to be valued over the next 5 years as part of the 5 year rolling programme, thus making all parties aware of the assets that require revaluation and ensuring that all assets are valued within the 5 year period

The AVPD and/or the Valuation Report should provide clearer details on how the valuations of the assets valued in the year and assets not valued in the year are examined and updated to the Council's financial year end to take account of impairment. The AVPD simply states that the values of relevant assets are updated by applying the average changes in value for assets valued in the year. There are differing types of assets valued each year which involved different valuation approaches i.e. Depreciated Replacement Cost or market comparable approach, and the movement in value will differ depending on the approach and inputs adopted. From responses to questions raised on this issue, it would appear a more detailed impairment review is undertaken but this has not been set out in the documents. In the final copy of the valuation report the valuer has added additional commentary on impairment review considerations and it would appear that impairment for the assets valued in the year are considered, i.e. to determine whether there has been an material movement in value for the assets valued in the year where a valuation date of 1 October 2018, or 1 April 2018 in the case of the farms, has been adopted. The consideration of impairment for these does not look to be unreasonable, but insufficient information has been provided to determine the exact approach that has been adopted in relation to the Specialised Assets. The valuer also appears to have considered impairment for assets not valued in the year, and has confirmed, that the values are brought up to 1 October 2018 valuation levels by applying asset class increases/decreases/nil movements. Thereafter the asset valuations are then subject to impairment to reflect any required change between 1 October 2018 and 31 March 2019. Whilst the necessary steps appear to have been undertaken to ensure that the valuation of all the assets are materially accurate at year-end it is recommended that in future years the Asset Valuation Policy and Valuation Report Documents more clearly sets out the process of ensuring all the asset valuations are materially accurate at the Council's year-end.

Real Estate Valuations

Specific Recommendations Continued:

The Council's approach to componentisation of the building values of assets which fall within their componentisation policy is unusual whereby it would appear that all the assets were subject to componentisation 5 years ago and any new assets are only subject to a componentisation exercise after 5 years (only after 5 years does the Council believe demonstrable depreciation takes effect). In terms of assets subject to componentisation 5 years ago it was not made clear as to whether the component values for the assets have been adjusted to reflect the revaluation of the asset. We would recommend that the Council re-examines their componentisation policy and where assets are revalued and would normally qualify for componentisation but have not been subject to a componentisation exercise the reasons for not doing so are explained by commentary being added to the valuation documentation.
The valuation date stated in the valuation report and any summary spreadsheets that are prepared should make it clear that the adopted valuation date for all assets, excepting the County Farms is 1 October 2018 and that the farms have been valued adopted a valuation date of 1 April 2018.
It is noted that whilst the valuer made allowances to reflect the modern equivalent asset (MEA) building and site sizes for the school asset valuation that was reviewed reference to the Department of Education- Education Funding Agency's area guidelines for schools (in particular Area guidelines for mainstream schools Building Bulletin 103 and the interactive tool to establish MEA building sizes) was not made. The valuer confirmed that the Council's Schools and Learning Department references the guidance set out in the DoE EFA Building Bulletin and provides the Estates team with suitable MEA building and site areas. Use of the DoE EFA area guidelines is best practice and therefore it is recommended that reference to these guidelines/tools are made and if the Council's Schools and Learning Department determine building or site areas which differ from those determined by the DoE EFA area guidelines, the reasons for the differences should be set out in the valuation worksheet
When determining the land value for Specialised Operational Assets, valued on a depreciated replacement cost basis, least cost to replace criteria should be considered in each case, including alternatively located site (if appropriate). The site values should only reflect higher use values i.e. residential, where there are no suitable alternative lower value alternatively located site. The Estate team should continue to check that their policy on least cost to replace/alternative sites is consistent with the approach taken by other local authorities as other authorities may adopt an approach which results in lower site values for the built element of the school as they could take a more hypothetical approach on alternative sites
The valuers should continue to review the asset lives and obsolescence applied to the assets. The Council's reduced capital expenditure on the assets can have an impact on remaining lives and increase obsolescence. It is noted that after questioning the valuer has confirmed that it is considered that the Council can actively manage and circumvent the limited expenditure and has taken the view that despite reduced expenditure the asset lives can be extended resulting in a positive impact on age and obsolescence allowances. This is not necessarily a logical outcome of reduced spending and therefore the valuer should provide evidence to support this position if reduced obsolescence allowances are adopted
The valuers should ensure that the valuation worksheets that set out the valuation of each asset are sufficiently comprehensive and detail/explain the source of the key inputs to the valuation, i.e. rents and yields and provides a detailed breakdown of the valuation of the asset.

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