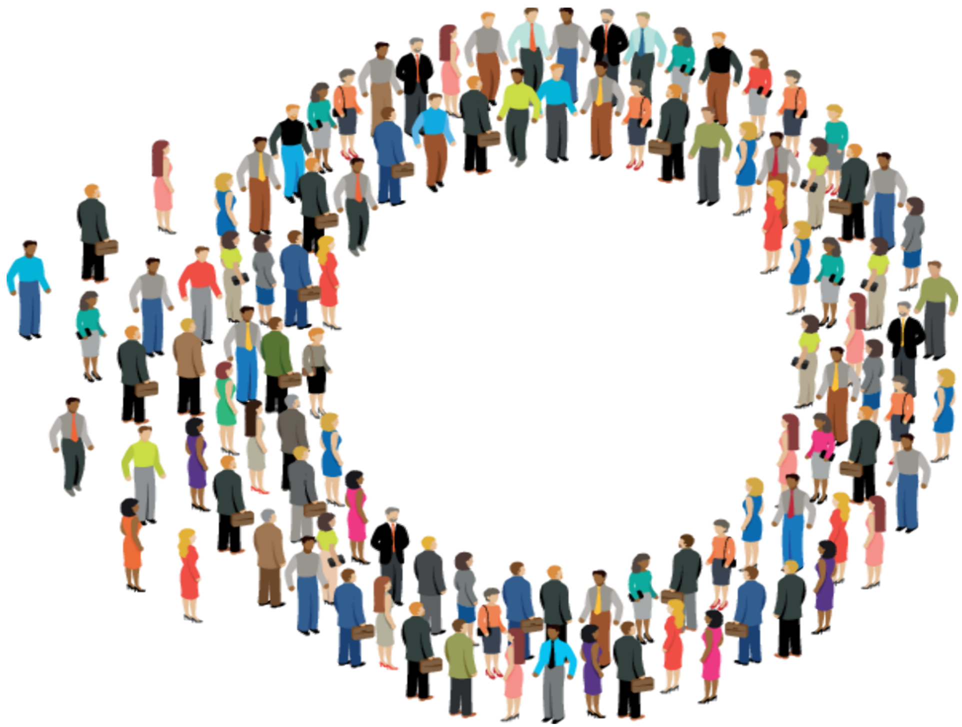

Southend-on-Sea Borough Council

Audit planning report to the Audit Committee for the year ending 31 March 2019

Issued 19 March 2019 for the meeting on 27 March 2019

Deloitte Confidential: Public Sector

Contents

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 statement of accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We have pleasure in presenting our planning report to the Audit Committee for the 2019 audit. We would like to draw your attention to the key messages of this paper:

Scope of our work	Our audit work will be carried out in accordance with the requirements of the Code of Audit Practice ('the Code') and supporting guidance published by the National Audit Office ("NAO") on behalf of the Comptroller and Auditor General. The Code sets the overall scope of the audit which includes an audit of the accounts of the Council and work to satisfy ourselves that the Council has made proper arrangements to secure value for money ("VFM") in its use of resources. There have not been any changes to the Code itself, and therefore the scope of our work is broadly similar to the scope of work set for your auditor in the prior year. Our responsibilities as auditor, and the responsibilities of the Council, are set out in *"PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies",* published by Public Sector Audit Appointments Limited.
Areas of focus in our work on the accounts	At the date of this report, our planning, risk assessment and fraud enquiry procedures are in progress. We have met with key officers, reviewed financial information and attended the first stage of our interim audit field work with the second stage planned for mid-March 2019. Based on procedures performed to date, we summarise below the areas of significant audit risk we have so far identified. These may be subject to change following completion or our remaining planning work. We will update the Audit Committee on any changes to our risk assessment at the next Audit Committee meeting. • Valuation of properties – there is significant judgement over subjective inputs to the valuation. • Capitalisation of expenditure – there is judgement over the appropriate classification of spend as capital and not revenue. The Council has greater flexibility over the use of its revenue compared to its capital resources. This provides a potential incentive to inappropriately classify spend as capital which does not meet the accounting criteria for classification as such. • Management override of controls – auditing standards presume there is a risk that the accounts may be fraudulently misstated by management overriding controls. Key areas of focus are: bias in the preparation of accounting estimates; inappropriate journal entries; and transactions which have no economic substance.

Areas of focus in our work on the accounts continued	We note the following changes to the equivalent summary of risks identified by our predecessor for the audit of the 2017/18 accounts: • In the prior year, our predecessor identified a significant risk in relation to the pension scheme liability. The process of estimating the quantum of the pension liabilities is usually complex and small changes in assumptions can have a significant impact on the estimated liability. However, the Essex County Council ("ECC"), who run the scheme in which Southend-On-Sea Borough Council is a participating employer, has engaged a reputable actuary and we understand that there are no significant changes in the membership of the scheme or significant transactions in the pension scheme which impact on the valuation. For these reasons, our preliminary assessment is that the risk of material misstatement is towards the higher end of the range, but is not significant. We will update our assessment when we have received and evaluated further information on the actuary's approach and assumptions. Of particular interest this year is the impact on the valuation of the recent ruling that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females. Although there have been interim measures to bring about equalisation it is unclear how this will be factored in by actuaries in calculation of the IAS 19 liability. The impact for individual pension schemes will vary. At the current time it is estimated that, in nearly all cases, the potential impact of the ruling will be between 0-2% of the defined benefit obligations of a scheme. We note the communication from ECC, in discussion with their actuary, stating that this equalisation has been applied to the scheme since 2016 and therefore the ruling will not lead to any further action for the Southend context. We will ask our actuaries to evaluate this. We have also noted the £8m corrected difference in the prior year with regard to the scheme assets. This related to a reissue of the actuary statement by ECC after the pension scheme audit that identified estimation issues with the value of scheme assets. Whilst this is a direct issue for the ECC pension scheme and the timing of their audit, to the extent that it impacts the Southend statement of accounts, it will be considered as part of the risk assessment related to pension scheme asset valuation. • We have identified an additional risk in relation to the appropriate capitalisation of expenditure as the capital plan continues to be substantial at a planned amount of £52.6m for 2018/19 (£65m in 2017/18). Auditing standards also presume there is a risk of fraud in revenue recognition. Following an analysis of the Council's income streams, we have rebutted this presumption. The key factors considered include: the amount of annual income from each source; the transaction size; the extent of any estimates; and the complexity of the recognition principles. Our conclusion is the same as that reached by our predecessor last year.

Areas of focus in our work on VFM	The Code and supporting auditor guidance note require us to perform a risk assessment and to carry out further work where we identify a significant risk. Our risk assessment to determine whether there are any significant risks is at a very early stage. We expect to carry out the majority of our risk assessment procedures in the remainder of March and early April. We will then perform update procedures in June, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics including the Medium Term Financial Strategy and the outcome of any findings from the work of regulators. We note the predecessor auditor included a significant risk in the 2016/17 audit plan in relation to sustainable finances. The conclusion was that there are appropriate arrangements to manage the budget gap and remain financially sustainable. We have not yet concluded as to whether this is a significant VFM risk for 2018/19 as further work is required to asses this.
Brexit	The arrangements following the UK's exit from the EU are not yet clear. Our audit plan does not include any risks or procedures in respect of the impact upon the Authority, whether on Value-for-Money (VfM) arrangements, or more widely. We will update the Audit Committee if any risks are identified as the eventual circumstances of the UK's exit become clear.

Our audit of the statement of accounts explained

We tailor our audit to your Authority

Identify changes in your business and environment

The Council continues to operate in an environment where resources are being cut. It has identified that approximately £7.5m of savings are required annually to run sustainably. There are some major capital projects planned.

2018/19 will also be the first financial period that the Authority will adopt both International Financial Reporting Standard 15 – Revenue and International Financial Reporting Standard 9 – Financial Instruments.

Scoping

Our work will be carried out in accordance with the Code of Audit Practice and supporting auditor guidance notes issued by the NAO.

More detail is given on the following page.

In our final report

In our final report to you we will conclude on the significant risks identified in this paper, report to you our other findings, and detail those items we will be including in our audit report, including key audit matters if applicable.

Determine materiality

We have determined materiality to be £7.4m for the Council, representing 2% of estimated gross spend on services.

Materiality applied by our predecessor in the prior year was £7.4m for the Council.

Significant risk assessment

We have identified the appropriate capitalisation of expenditure as a significant risk.

Our predecessor identified estimation of the pension liability as significant risks. We have concluded that this no longer represents a significant audit risks.

Regarding VFM, we note the predecessor auditor identified a risk regarding sustainable finances. Our risk assessment in this area is at an early stage.

We discuss significant risks on pages 10-12.

Quality and Independence

We confirm all Deloitte network firms and engagement team members are independent of Southend-on-Sea Borough Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Scope of work and approach

We have the following areas of responsibility under the Code of Audit Practice

Opinion on the Council's financial statements

We will conduct our audit in accordance with the Code of Audit Practice and supporting guidance issued by the National Audit Office ("NAO") and International Standards on Auditing (UK) ("ISA (UK)") as adopted by the UK Auditing Practices Board ("APB").

We report on whether the financial statements:

- Give a true and fair view of the financial position and income and expenditure
- Are prepared properly in accordance with the Code of Practice on Local Authority Accounting ("the Code").

Opinion on other matters

We are required to report on whether other information published with the audited financial statements is consistent with the financial statements.

Other information includes information included in the statement of accounts, in particular the Narrative Report. It also includes the Annual Governance Statement which the Council is required to publish alongside the Statement of Accounts.

In reading the information given with the financial statements, we take into account our knowledge of the Council, including that gained through work in relation to the body's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources.

Whole Government Accounts

For Councils in scope, we are required to issue a separate assurance report on the Council's separate return required to facilitate the preparation of the Whole of Government Accounts. We note that in the prior year, Southend fell below the threshold for WGA and was therefore out of scope for these requirements. Our work on the return is carried out in accordance with instructions issued by the NAO and typically focuses on testing the consistency of the return with the Council's financial statements, together with the validity, accuracy and completeness of additional information about the Council's transaction and balances with other bodies consolidated within the Whole of Government Accounts. We are also typically asked to report to the NAO on key findings from our audit of the accounts. The NAO has not yet issued its instructions for the current year.

Value for Money conclusion

We are required to provide a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We carry out a risk assessment to identify any risks that, in our judgement, have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The risk assessment enables us to determine the nature and extent of further work that may be required. This means that if we do not identify any significant risks, there is no requirement to carry out further work.

We also consider the impact of findings of other inspectorates, review agencies and other relevant bodies on their risk assessment, where they are relevant and available.

Our responsibilities as auditor, and the responsibilities of the Council, are set out in "PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies", published by PSAA

Scope of work and approach
Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We plan to meet with the Head of Internal Audit to discuss the internal audit work performed and we will review the internal audit reports issued in the period. We will consider the findings from their work and where significant control weaknesses are identified, we will consider the impact on the scope of our own work.

Approach to controls testing

For controls considered to be 'relevant to the audit', our work involves evaluating the design of these controls and determining whether they have been implemented ("D & I").

We do not expect to place reliance on the operating effectiveness of controls in the current year instead gaining assurance from fully substantive procedures. We will however continue to evaluate this to determine potential areas where a controls reliant strategy would be appropriate.

Our assessment of the internal control environment has not been concluded. We will report to the Audit Committee any findings arising from further procedures.

We will consider any major changes to IT systems in year notably the change in the Children & Adults Social Case Management system moving from CareFirst to Liquid Logic. This forms part of our ongoing risk assessment of IT systems and will involve Deloitte IT specialists as required.

Materiality

The audit partner has determined materiality as £7.4m, based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.

We have used 2% of gross spend on services, adjusted to remove the effect of impairments and reversals of impairments against properties, as the benchmark for determining materiality as this is an area of focus for users of the accounts.

Scope of work and approach

Our approach

Audit considerations regarding the Group Accounts

We have not been appointed the auditor of the material subsidiary trusts and companies within the group. In order to gain sufficient assurance over significant account balances in the group accounts, we will perform further audit procedures at the material components. The key components for audit procedures are shown in the table below. These are based on 2017/18 figures. Based on discussion with management, we do not anticipate significant changes for the 2018/19 audit period. This may be revised based on actual 2018/19 outturn. If 2018/19 actual results indicate a requirement to significantly vary our planned work, additional fees will be advised at that point including approval from the PSAA.

Components	Expenditure 2017/18 £m	Net Assets 31/3/18 £m	%age of total Group Expenditure	%age of group Net Assets	Summary of work to be performed
Council	370.2	490.3	93.7%	98.6%	The Deloitte group audit team will perform full-scope audit procedures under the Code on this component.
Trust Funds	1.4	19.7	0.3%	3.9%	The Trust Funds are audited separately by a different firm on a longer timeline. For the purpose of the group audit opinion, material Trust funds will have specified tests performed by the group team focused on assets held.
South Essex Homes Limited	11.9	(6.9)	3%	(1.4%)	SEHL is audited separately by a different firm on a longer timeline. For the purpose of the group audit opinion, SEHL will have specified tests performed by the group team.
Southend Care Limited	11.9	(5.8)	3%	(1.1%)	SCL is audited separately by a different firm on a longer timeline. For the purpose of the group audit opinion, SCL will have specified tests performed by the group team.

Group Materiality

Materiality for the group is £7.5m in line with, but slightly higher than, the Council level alone of £7.4m. In order to apply meaningful specified procedures to the non-Council, in-scope group entities, component materiality will be reduced accordingly based on the percentage of the group represented by each subsidiary and will be no more than 40% of the group materiality figure of £7.5m.

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Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.

Transition activities	Planning fieldwork	Year end fieldwork	Other reporting	Post reporting activities
• Introductory meetings with senior officers • Meeting with predecessor auditor and review of their prior year files • Agreement of overall scope of the audit • Agreement of audit fees and supporting assumptions	• Understand the Council's accounting and business processes • Perform risk assessment procedures for financial statements and VFM • Respond to VFM significant risks	• Year-end audit field work • Update VFM risk assessment • Year-end closing meetings • Reporting of significant findings from the audit • Signing audit report	• If required, assurance procedures on the Council's WGA return • Annual audit letter	• Debrief session with the finance team • Reporting of other control deficiencies
Annual fee letter	Planning report to the Audit Committee	Final report to the Audit Committee	Annual audit letter	Any additional reporting as required
April 2018 – Jan 2019	**Jan – March 2019**	**June - July 2019**	**July – August 2019**	**August – Sept 2019**

Ongoing communication and feedback

Significant risks – statement of accounts

Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the narrative report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

Deloitte view

IAS 1 requires entities to make disclosures about the assumptions it has made about the future and other major sources of estimation uncertainty at the year end that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

If a matter does not meet this criterion, it should not be included in the disclosure on sources of estimation uncertainty.

We recommend the Council re-examine whether the estimates it disclosed in the prior year meet this criterion.

Inherent Red risks (Jan 2019)

- Funding reductions
- Recruit/Retain staff
- External challenges e.g. Brexit, relationships with key partners
- Changes in government housing policy
- Access to regeneration funding
- Failure to integrate Heath and Social Care
- Surface flooding and seafront cliff movement
- Cyber Security
- Waste contracts
- Major infrastructure
- Meet Local Plan deadlines

IAS 1 Critical judgements and accounting estimates

- Future levels of funding
- Recognition of schools on the balance sheet
- PPE valuations
- Pension liability valuation

Prior year significant audit risks (financial statements)

- Valuation of properties
- Management override of controls
- Pension liability assumptions

Changes in your environment

- Upcoming capital projects
- Southend 2050

We have noted above “inherent” risks scored as “Red”. We note the Council Risk Register reflects inherent, current and target risks defined as follows:

Inherent score – the risk scored with no controls, assurances or actions in place.

Current score – the risk scored with controls, assurances and progressed actions.

Target score – the risk score with controls and assurances in place and linked actions completed.

The latest risk register indicated that no risks have a “Current” rating as “Red”.

Significant audit risks
Risk 1 – Property Valuation

Risk identified	The Council held dwellings of £359m and other land and buildings of £305m at 31 March 2018 which are required to be recorded at current or fair value at the balance sheet date. The fixed asset portfolio is divided into five key asset categories. The Council's practice is to obtain a specific valuation of approximately 20% of the assets requiring valuation at the start of the year on a cyclical basis. This approach leads to the full asset portfolio being evaluated within each five-year period. In addition to this specific exercise the Council also obtains advice as to whether there has been a material change in the period up to the balance sheet date based on indices. Any changes based on index factors are then applied to the total asset base relevant to each index. Key judgements include: • Whether there has been a material change since the date of the last valuation • In the valuation of dwellings, defining appropriate beacon groups, such that the level of homogeneity of properties within each group is appropriate, and selecting appropriate comparators and, where relevant, making appropriate adjustments • In the valuation of schools, appropriate selection of the location and design of modern equivalents. • Assumptions applied to estimating values of "other properties", the category in scope for 2018/19 valuation, including correct application of different valuation methods to different property types.
Our response	We will test the design and implementation of key controls in place around the property valuation. We will use our valuation specialists, Deloitte Real Estate, to review the methodology and approach and to challenge the appropriateness of the year-end valuation, focusing on the key subjective inputs. This will support confirmation that the valuation movements are consistent with expectations seen in other data regarding the property market. Our specialists will also evaluate the methodology applied in and the outcomes of the full valuation of the "other properties" category, performed as at 1 April 2018 and will assess and challenge the index-based factors applied to the relevant parts of the property portfolio to adjust the overall valuation to the balance sheet date.

Significant audit risks
Risk 2 – Capital Expenditure

Risk identified	As part of the Medium Term Financial Strategy, the Council has a substantial capital programme of £234m to the end of the 2021/22 period. This includes a budgeted amount of £52.6m in 2018/19. Determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards. The Council has greater flexibility of the use of revenue resource compared to capital resource. There is also, therefore, a potential incentive for officers to misclassify revenue expenditure as capital. We have therefore identified classification of capital expenditure as an area of financial reporting at greater risk of fraud.
Our response	We will test the design and implementation of controls around the capitalisation of costs. We will select a sample of additions in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements. This sample will include Assets Under Construction.

Significant risks
Risk 3 – Management override of controls

Risk identified	In accordance with ISA 240 (UK and Ireland) management override of controls is a presumed significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions. The key judgments in the financial statements are those which we have selected to be the significant audit risks; capitalisation of expenditure and valuation of the Authority's estate. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.
Our response	In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk: • We will risk assess journals and select items for detailed follow up testing. We do this by using computer-assisted profiling to identify journals which have characteristics of increased interest. We will then test the appropriateness of journal entries selected through this profiling activity, and other adjustments made in the preparation of financial reporting. • We will review accounting estimates used as part of the financial reporting process for evidence of bias that could, either singularly for a major areas of estimation or in aggregate across several areas of estimation, result in material misstatements due to fraud. Other areas of estimation in addition to the above include provisions (of which the most significant are the provisions for insurance and for NNDR appeals), bad debt provisions and estimation of depreciation based on a selection of useful economic lives. • We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Value for money conclusion

Our risk assessment process and significant risks

We are required to provide a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code and supporting auditor guidance note require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Our risk assessment procedures include:

- Reading the annual governance statement
- Considering local and sector developments and how they impact on the Council
- Reviewing the audit report issued by our predecessor in respect of 2017/18
- Meeting with senior officers
- Reviewing reports issued by internal audit
- Reviewing other documentation of the Council including budget setting reports, financial and operational performance monitoring reports
- Reviewing reports issued by regulators.
- Understanding the arrangements in potential areas of significant risk – in particular the planning of the Council's finances and major capital projects.
- Considering any impact of the Southend 2050 plan. Southend 2050 is a change to the strategic planning approach that commenced during the period inviting stakeholders to explore and envision what they would like the area to become and changes required to achieve this.
- Review of effectiveness of working with partners and third parties including subsidiary entities.

Our risk assessment to determine whether there are any further significant risks is ongoing, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics and the outcome of any findings from the work of regulators.

We note our predecessor identified financial sustainability as a significant risk area with regard to the value for money conclusion in their plans for the 2017/18 audit. In their final opinion and linked report to this committee, the predecessor concluded by issuing a clean opinion in this regard for the 2017/18 financial statements noting suitable arrangements in place to address this risk area.

Our risk assessment is at early stages but we will consider financial sustainability as an area of consideration. We expect to carry out the majority of our risk assessment procedures in the remainder of March and early April. We will then perform update procedures in June, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics including the Medium Term Financial Strategy and the outcome of any findings from the work of regulators.

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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 establish our respective responsibilities in relation to the audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes our audit plan, including key audit judgements and the planned scope.

What we don't report

As you will be aware, our audit is 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 officers or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the statement of accounts and the other procedures performed in fulfilling our audit plan.

Use of this report

This report has been prepared for the Audit Committee, 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.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

Deloitte LLP

Deloitte LLP

St Albans | 19 March 2019

Appendix 1 - Fraud responsibilities and representations

Responsibilities explained

Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with officers 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.

Our Responsibilities:

- We are required to obtain representations from your officers regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the statement of accounts as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of valuation of land and buildings, capital expenditure and management override of controls as key audit risks for your organisation.

Fraud Characteristics:

- Misstatements in the statement of accounts can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the statement of accounts is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the statement of accounts may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
  - (i) officers;
  - (ii) officers who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the statement of accounts.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's statement of accounts communicated by officers, former officers, analysts, regulators or others.

Appendix 1 - Fraud responsibilities and representations
Inquiries

We will make the following inquiries regarding fraud:

Officers:

- Officers assessment of the risk that the statement of accounts may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Officers process for identifying and responding to the risks of fraud in the entity.
- Officers communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Officers communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether officers have knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve officers from outside the finance function in our inquiries.

Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

Those charged with governance

- How those charged with governance exercise oversight of officers processes for identifying and responding to the risks of fraud in the entity and the internal control that officers have established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

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Appendix 2 - Independence and fees
Independence

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 will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2019 in our final report to the Audit Committee.
Non-audit fees	There are no non-audit fees.
Independence monitoring	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 Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

Appendix 2 - Fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2018 to 31 March 2019 and as set out in our fee letter issued 27 April 2018 alongside some key assumptions regarding are as follows:

	Current year £'000
Audit under the NAO's Code of Audit Practice: Council	110
Total audit	**110**
Other assurance services – Housing Benefit work	21*
Total fees	**131**

*The fee for the Housing Benefit Subsidy work is comprised of a £17k base fee and a £4k additional charge for known additional validation procedures required due to errors found in the 2017/18 assurance process and reported by our predecessor.

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