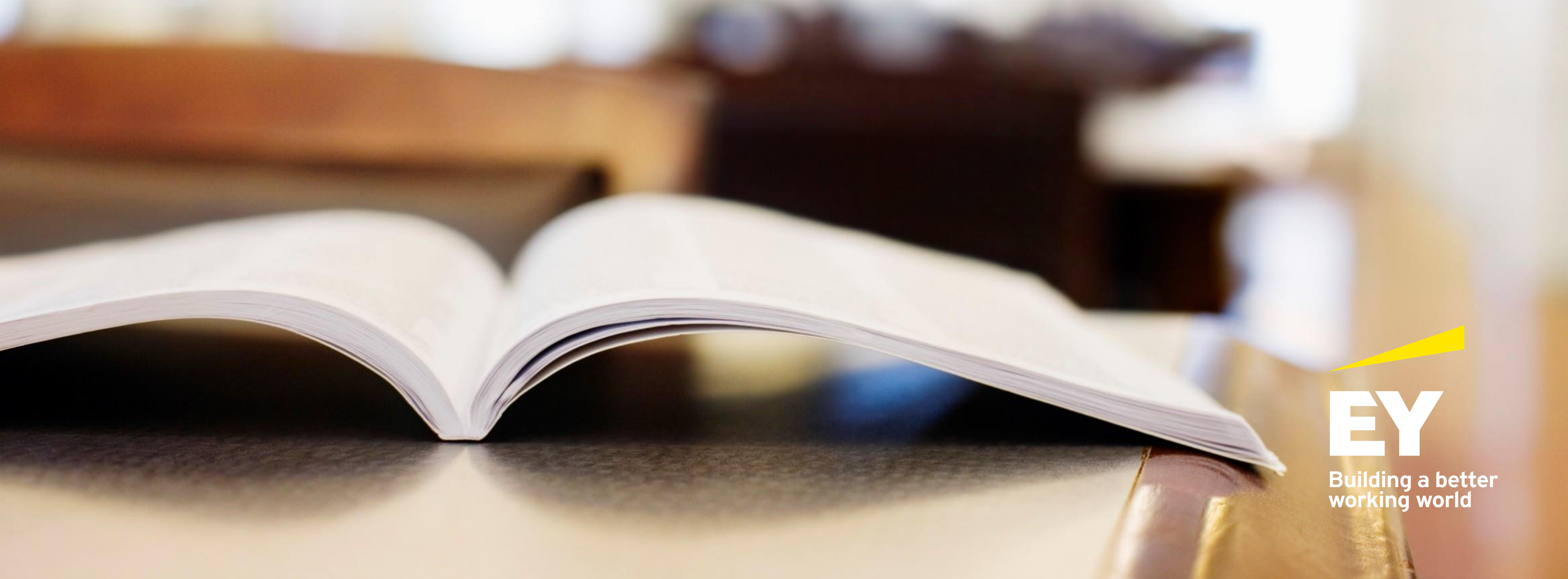
Rushmoor Borough Council

Annual Audit Letter for the year ended 31 March 2018

July 2018



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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Rushmoor Borough Council following completion of our audit procedures for the year ended 31 March 2018.
Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's ► Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources .

Area of Work	Conclusion
Reports by exception: ► Consistency of the Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

Executive Summary (cont'd)

As a result of the issues on the previous page, we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 30/7/18.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31/7/18.

In November 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken on the 2017/18 housing benefits claim

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Andrew Brittain

Associate Partner

For and on behalf of Ernst & Young LLP

02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 30th July 2018 Licensing, Audit and General Purposes Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan, issued on 29th January 2018, and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- Expressing an opinion:
  - On the 2017/18 financial statements; and
  - On the consistency of other information published with the financial statements.
- Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- Reporting by exception:
  - If the Annual Governance Statement is misleading or not consistent with our understanding of the Council;
  - Any significant matters that are in the public interest;
  - Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return.

The extent of our review and the nature of our report are specified by the NAO

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

03 Financial Statement Audit

Financial Statement Audit

Key Issues
The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31st July 2018 Our detailed findings were reported to the 30th July 2018 Licensing, Audit and General Purposes Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Risk of fraud in revenue and expenditure recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Having assessed the key income and expenditure streams of the Council, we judged that there was a risk of material misstatement through the incorrect classification of revenue spend as capital expenditure.	We focused on: ▸ Understanding the controls put in place by management relevant to this significant risk ▸ Considering whether or not purchase invoices were being inappropriately classified as capital ▸ Whether management were inappropriately processing journals that transferred amounts from revenue to capital Our testing focused on: • Review and test revenue and expenditure recognition policies and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias. • Develop a testing strategy to test material revenue and expenditure streams and review and test revenue cut-off at the period end date. • Obtained breakdown of capital additions in the year and reviewed the descriptions to identify any items that could be revenue in nature. • Amended our sample sizes when testing additions and REFCUS to reflect the existence of this risk. Agreed samples to source documentation to ensure the capital/revenue split was reasonable. • Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes. • Review in-year financial projections and compare to year-end position. Our testing identified no misstatements from revenue and expenditure recognition. We did not identify any other transactions during our audit which appeared to be misstated, material or otherwise.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
Risk of management override The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	We focused on: ▸ Understanding the risks of fraud and the controls put in place to address those risks by management and how the Licensing, Audit and General Purposes Committee oversees management's processes over fraud. ▸ Considering the effectiveness of management's controls designed to address the risk of fraud. ▸ Determining an appropriate strategy to address those identified risks of fraud. ▸ Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions. Our approach focused on: • Wrote to the s151 officer, Chair of the Licensing and General Purposes Committee, Head of Internal Audit and the Monitoring Officer in this regard and reviewed their responses. • Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed. • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements. • Reviewed accounting estimates e.g. NDR Appeals Provision and PPE Valuation for evidence of management bias. • Evaluated the business rationale for any significant unusual transactions. We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
Property, Plant and Equipment Valuation Material misstatement of the net assets of the Authority as a result of inappropriate judgemental inputs and/or estimation techniques to calculate the year-end balances recorded in the balance sheet. The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily: ‣ significant changes in the asset base; ‣ the assumptions and estimates used to calculate the valuation; and ‣ changes to the basis for valuing the assets. Our approach focused on : • Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work covering the reasonableness of their underlying assumptions. • Sample tested key asset information used by the valuers in performing their valuation. • Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer. • Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated. • Considered changes to useful economic lives as a result of the most recent valuation. • Tested accounting entries had been correctly processed in the financial statements. Our testing has identified no material misstatements from inappropriate judgements being applied to the property valuation estimates. We did not identify any other assets during our audit which appeared to be misstated, material or otherwise.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
Pension Liability Valuation The Code of Practice on Local Authority Accounting and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is a scheduled body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily: ▸ significant changes in assumptions made by the actuary, AON Hewitt; and ▸ the assessments of the actuary undertaken by PWC and the EY actuarial team. Our approach focused on : • Liaised with the auditors of the administering authority (Hampshire County Council), to obtain assurances over the information supplied to the actuary in relation to Rushmoor Borough Council. • Assessed the work of the Pension Fund actuary, AON Hewitt, including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. • Ensured the information supplied to the actuary in relation to Rushmoor Borough Council was complete and accurate. • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. We have reviewed the reports from the Hampshire Pension Auditor. Our testing to date has not identified any material misstatements of the Authority's liability or related disclosures in this regard. However we have identified one immaterial unadjusted item of £426,487 which relates the Council's share of the variance between the estimated fair value of £6,582 million of the pension fund assets and the actual fair value of the pension fund assets which was found to be higher at £6,613 million.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.32 million (2017 £1.32 million), which is 2% of gross expenditure reported in the accounts of £66.026 million. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Licensing, Audit and General Purposes Committee that we would report to the Committee all audit differences in excess of £66,026 (2017: £66,267)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits: Strategy applied: we agreed all disclosures in the remuneration report back to source data, and exit packages to the agreed and approved amounts
- Related party transactions. Strategy applied: we tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence
- We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

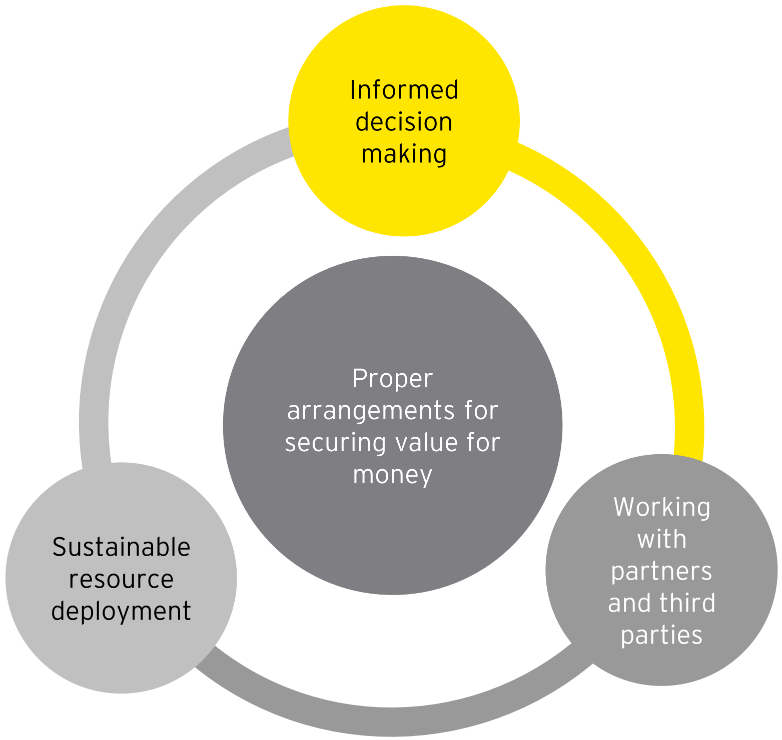
04 Value for Money

Value for Money

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We identified two significant risks in relation to these arrangements. The tables overleaf present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention

We have performed the procedures outlined in our audit plan.

Value for Money (cont'd)

We issued an unqualified value for money conclusion on 31 July 2018.

Significant Risk	Conclusion
Delivery of a sustainable medium term financial strategy The Council's "Medium Term Financial Strategy 2017/18 to 2020/21", presented to Council in October 2017, sets the context for the Council Plan, including its "8 point plan" which is the Council's delivery mechanism for financial sustainability. The MTFS recognises the key risks and considerations around financial planning including cuts in government funding, fluctuations in income through the business rates retention scheme, uncertainties around the New Homes Bonus, increasing revenue cost of borrowing and the acheivement efficiency savings required through transformational change. Transformational change is required to deliver the level of savings needed for a sustainable funancial future. The Council has a projected funding gap of £2.2 million by 2020/21, but this is after its use of £1.6 million of the Council's Stability and Resilience Reserve and £500k of General Fund balances. We need to review the Council's Medium Term Financial Strategy to assess whether the financial planning in place is sufficient to position the Council on a sustainable financial footing in the medium term.	○ **Reviewing the progress made in achieving the planned budgets for 2017/18.** At 31 March 2018, the Authority reported an underspend against a forecast net expenditure budget of £12.094 million. In March 2017 the Authority approved the 2017/18 net expenditure budget, which included the budgeted use of reserves. The revised outturn and the over achievement of savings meant that use of reserves was limited to £0.688 million in 2017/18. However, the Council realises that the ongoing use of reserves each year is not sustainable, as reported in the LGA Peer Review Report of December 2017 and is therefore building up its reserves , to include a General Fund reserve of £11.825 million, including a Stability and Resilience reserve of £4.353 million. ○ **Assessment of whether the Authority has good systems and processes in place to manage its financial risks and opportunities effectively** Council had appropriate processes for setting its 2017/18 and 2018/19 budgets. Budget assumptions are reasonable, although these are best estimates as there still are many uncertainties, particularly surrounding the impact of the new arrangements with Business Rates, the New Homes Bonus and the continuing uncertain economic climate. In terms managing its financial risks and opportunities effectively, our review has shown that the Council are improving its systems and processes in response to the two LGA Peer Review (December 2017) recommendations: • *Develop and communicate a wider understanding of the underlying financial challenges now facing the Council, including more regular monitoring and vigorous challenge to significant or high risk budgets;* and • *Secure and deliver additional savings and income generation to reduce the use of reserves to produce a balanced budget over the coming years and move to a risk based assessment of the level of required reserves.* ○ **Assessing the robustness of financial plans for 2018/19 and in the medium term.** The Council's Medium Term Financial Planning process is reported, each February, to Council. The figures in the plan can be agreed to detailed working papers with reasonable assumptions. The Council is currently updating its forecast and has identified savings of £1.5 million for 2018/19. Reserves are adequate, at the end of 2017/18, as General Fund reserves were £11.825 million. However, as the LGA Peer Review (December 2017) discusses, there are increased financial pressures in future years and the current level of reserves should be set aside to prepare for those future pressures without being used to supplement annual revenue expenditure. The Council has taken this advice on board as the Council now no longer withdraws from reserves and they have a set of identified savings for the next three years from 2018/19 to 2020/21 based on the Council's modernisation and transformation programmes.

Value for Money (cont'd)

Significant Risk	Conclusion
The effectiveness of the Council's risk management framework The Council's Risk management framework was identified as a significant governance issue in both the 2015/16 and the 2016/17 Annual Governance Statements. In 2017/18, the Council has been updating the Corporate Risk Register, risk policies and practice through its re-invigoration of the Risk Management Group so that it may better embed risk management and align it to risks around the delivery of its strategic objectives in the Council Plan and its "8 point plan". Our review of the Council's Licensing, Audit and General Purposes (LA&GP) Committee during 2016/17 showed that the Committee could be more effective if it followed CIPFA's best practice guidance for Audit Committees which includes (1) an agreed work programme for the year, (2) regular risk management updates, (3) self-assessment of its effectiveness and (4) a production of an annual report of its achievements for Cabinet. As the LA&GP Committee is a key component of Council's assurance over its risk management arrangements and will be receiving its first risk update report at its January 2018 meeting, We will follow-up on the above issues as part of our VFM work for this year.	○ Review of the adequacy of the Council's risk management arrangements underpinning the Council's 2017/18 Annual Governance Statement. The Council Risk Council's Risk management framework has been transformed during 2017/18 with a monthly corporate Risk Management Group regularly assessing the Council's comprehensive corporate risk register. As the Council is taking its modernisation and transformation programme forward, the LGA Peer Review Report of December 2017 stated that "*as the Council looks toward the future and its priorities it would be timely to review its strategic risks, indeed this would inform both priority setting and financial planning. These risks would concern both the delivery of key outcomes and financial uncertainties*. " The Council is in the process of embedding better risk management through its planning and reporting processes for its two main steering groups, the Transformation Steering Group which is morphing into the Modernisation Rushmoor 2020 Programme and the Regeneration Steering Group. In line with good practice, the Council's Licensing, Audit and General Purpose Committee (LA&GP Committee) also receives regular reports on the effectiveness of the Council's risk management arrangements during the year. ○ Assess the progress made by the LA&GP Committee in aligning its practices to CIPFA's guidance for Audit Committees The Council's Licensing, Audit and General Purpose Committee (LA&GP Committee) has made progress in implementing CIPFA's guidance for Audit Committees. The Committee has agreed a new Terms of Reference, a work plan and received regular risk management updates during the year. LA&GP Member training, in May 2018, on how the LA&GP would self-assess its effectiveness was well received by Members who agreed that they had a wider understanding of what a good assurance framework looks like. Members are now looking for a wider assurance than controls, integrating financial, risk and performance measurements, independent assurance with VFM outcomes. They also need to understand how the Council's Assurance Framework underpins planning, performance management and risk management leading to a good understanding of how the Council achieves its objectives and addresses areas for improvement. The improved LA&GP Committee understanding is a useful investment and may reduce the amount of scrutiny committee time needed. The LA&GP Committee will monitor their progress over the coming year and produce a 2018/19 report on its effectiveness for presentation to Council.

05 Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Other Reporting Issues (cont'd)

Objections Received
We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties
We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence
We communicated our assessment of independence in our Audit Results Report to the Licensing, Audit and General Purposes Committee on 30th July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations
It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice. As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

06 Focused on your future

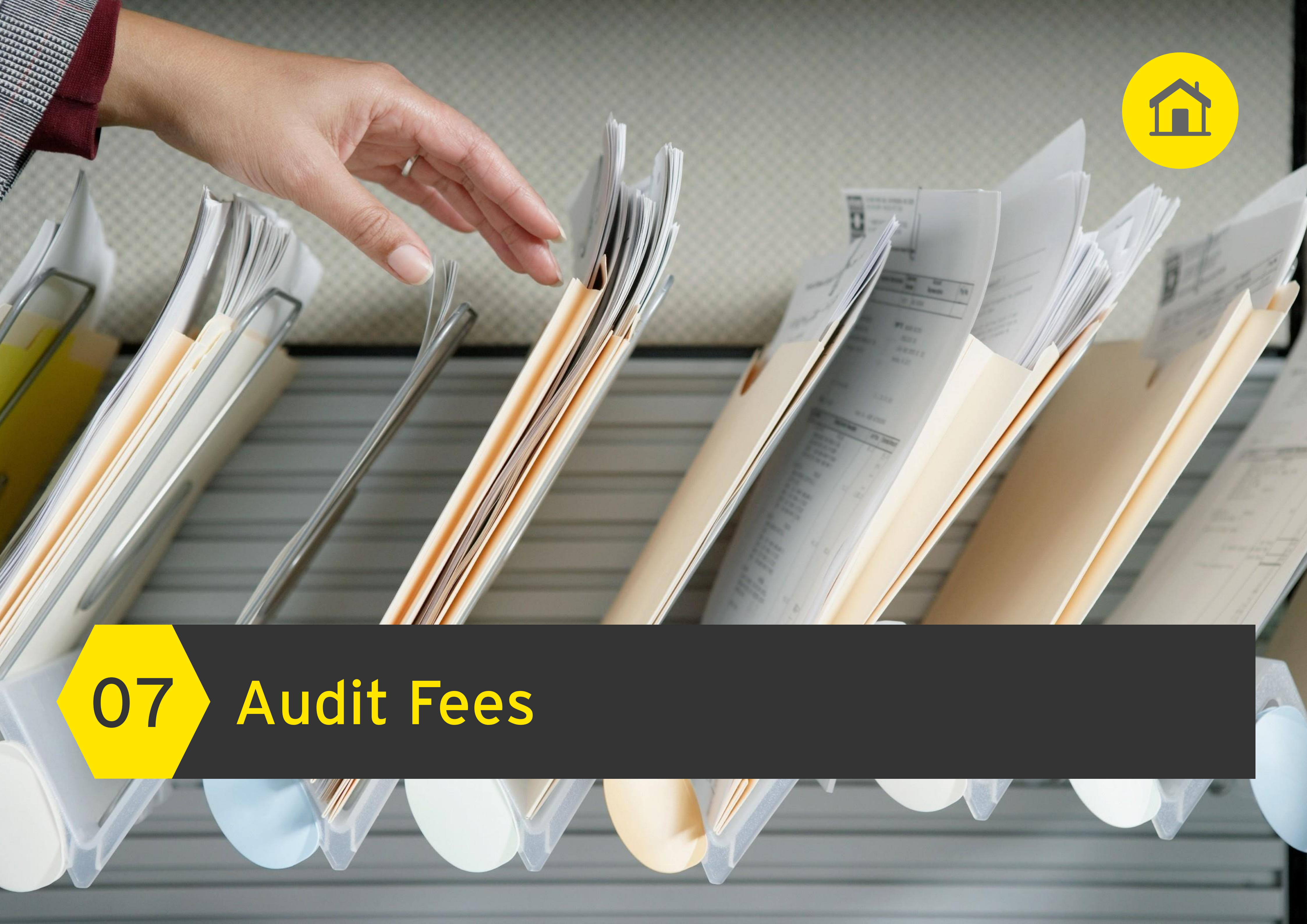
Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured; ▸ How the impairment of financial assets are calculated; and ▸ The disclosure requirements for financial assets. There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.	Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to: ▸ Reclassify existing financial instrument assets ▸ Re-measure and recalculate potential impairments of those assets; and ▸ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: ▸ Leases; ▸ Financial instruments; ▸ Insurance contracts; and ▸ For local authorities; Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.	As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited. The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.

Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.



07 Audit Fees

Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Audit Fee – Code work	**49,838**	49,838	49,838	49,838
Additional fee for code work not covered above	**1,873**	0	0	3,791
Other non-audit services not covered above (Housing Benefits)	tbc	8,652	8,652	7,511
Total fees	**tbc**	**58,590**	**58,590**	**61,140**

In 2016/17 £3,791 related to additional work performed on the valuation of property.

In 2017/18 £1,873 relates to work performed on the two additional significant risks identified as part of our Value for Money work.

This fee is yet to be agreed by management, and is subject to approval by the PSAA.

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ED None

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