



Annual Audit Letter on the 2018/19 External Audit Weymouth and Portland Borough Council

February 2020

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1. Letter to Members

11 February 2020

The Members
County Hall
Colliton Park
Dorchester
Dorset
DT1 1XJ

Dear Sirs

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the audit for the year ended 31 March 2019.

Although this letter is addressed to the Members of Weymouth and Portland Borough Council ("the Council"), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Public Sector Audit Appointments Ltd (PSAA) website at www.psaa.co.uk and on the Council's website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Ltd. This is available from www.psaa.co.uk.

This key contents of this letter have been discussed and agreed with the Council. A copy of the letter will be provided to all Members.

This is our first year as the external auditor of the Council following the transition of the PSAA contract in 2018/19. Our aim is to deliver a high standard of audit, delivering insights identified from our audit work to make a positive and practical contribution, which supports the Council's own agenda.



Michelle Hopton
Audit Lead
for and on behalf of Deloitte LLP
Bristol, United Kingdom

2. Key Messages

Statement of Accounts	
Qualified opinion issued on 16 January 2020	<p>In 2018/19 the Council was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards (“IFRS”) as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and other relevant legislation.</p> <p>Through our audit planning we identified three significant risks of material misstatement which we addressed through our audit. These were:</p> <ul style="list-style-type: none"> • property valuations; • completeness of creditors and accruals ; and • management override of controls. <p>Materiality for the Council’s accounts was set at £1,163,000.</p> <p>We issued a qualified audit opinion on the Statement of Accounts on 16 January 2020.</p> <p>The opinion was qualified on the basis of:</p> <ul style="list-style-type: none"> • Property, Plant & Equipment • Non-Domestic Rates (NDR) Appeals Provision
Value for Money (VfM) conclusion	
Unqualified opinion issued on 16 January 2020	<p>We are required to base our statutory VfM conclusion on the criteria specified by the National Audit Office, namely whether the Council has in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>We issued an unqualified opinion in respect of the VfM conclusion.</p>
Annual Governance Statement	
All relevant governance matters were adequately and appropriately disclosed	<p>We have considered the contents of the Annual Governance Statement and confirmed that the Statement complied with guidance and that it adequately and appropriately disclosed all relevant governance matters arising in the year that we are aware of.</p>
Whole of Government accounts	
The Council is below the audit threshold	<p>The Council prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review this pack as the Council falls below the threshold where an audit is required.</p> <p>As required we have confirmed this fact to the National Audit Office.</p>

Financial reporting systems

Weaknesses in internal control were identified	During our audit we identified a number of areas for improvement in internal controls and procedures resulting in 17 recommendations being raised, four of which were IT related.
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3. Responsibilities and Scope

Responsibilities of the Council and Auditors

The Council is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

We are appointed as the Council’s independent external auditors by PSAA, the body responsible for appointing auditors to local public bodies in England.

As the Council’s appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the National Audit Office’s Code of Audit Practice (“the Code”). Under the Code, we have responsibilities in two main areas:

- the Council’s accounts; and
- whether the Council has made proper arrangements for securing economy, efficiency and econess in its use of resources (the value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board (“APB”). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

We conducted our work on the value for money conclusion in line with guidance issued by the National Audit Office, in respect of local government bodies for the financial year ended 31 March 2019.

4. Audit of the Accounts

Statement of Accounts	
<p>Qualified opinion issued on 16 January 2020</p>	<p>Before we give our opinion on the accounts, we are required to Report to Those Charged with Governance any significant matters arising from the audit. A detailed report was discussed with the members of the Audit and Governance Committee on 26 July 2019 with a final report being issued on the 19 December 2019.</p> <p>Materiality for the Council's accounts was set at £1,163,000 which equated to 2% of gross expenditure. The level of materiality shapes and informs the extent of the audit work we undertook, including review of balances which are below this which exhibit particular characteristics. This assists in the identification of transactions and balances which were likely to give rise to material misstatements, and in determining the extent of work undertaken in respect of the areas we judged to contain such risks.</p> <p>Our Report to Those Charged with Governance, in the case of the Council, the Audit and Governance Committee, set out the details of any errors identified during the audit which were greater than £58,100, which is our clearly trivial threshold.</p> <p>Our audit work was designed to specifically address the following significant audit risks:</p> <ul style="list-style-type: none"> • Whether property valuations were materially correct - We tested the design and implementation of key controls in place around the property valuation, including how the Partnership assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation. We obtained an understanding of approach adopted to the valuation, including assessing the valuer's qualifications, objectivity and independence and reviewing the methodology used. We reviewed any revaluations performed in the year and assessed whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals. We engaged 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. This includes consideration of the assumptions made of movements between the valuation being performed in April 2018 and the year-end. We tested a sample of revalued assets and re-performed the calculation of the movement to be recorded in the financial statements to check they were recorded appropriately. This testing led to the significant issues outlined on page 8. We considered the impact of uncertainties relating to the UK's exit from the EU upon property valuations in evaluating the property valuations and related disclosures. • Whether the Statement of Accounts contained all of the creditors and accruals relating to the year ended 31 March 2019 (Completeness of creditors and accruals) – We obtained an understanding of the design and implementation of the key controls in place in relation to the completeness of creditors and accruals. Focused testing in relation to the completeness of creditors and accruals has been completed. • Whether the Council's controls had been bypassed by management in the preparation of the financial statements (Management override of controls)

Statement of Accounts

– We tested the design and implementation of key controls in place around journal entries and key management estimates. We risk assessed journals and selected items for detailed testing. The journal entries were selected using computer-assisted profiling based on areas which we considered to be of increased interest. We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We did not identify any significant transactions that were outside of the normal course of business for the Council.

We issued a qualified opinion on the Council's 2018/19 accounts on 16 January 2020. Our opinion confirms that the accounts present a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year then ended with the exceptions of the qualifications noted below.

Property, plant and equipment

As at 31 March 2019 and 31 March 2018 property plant and equipment balances were carried at £43.66m and £45.68m respectively.

The Authority has incorrectly netted off land and building revaluation movements where they relate to the same site in the current and prior year. In accordance with the CIPFA code these are required to be treated as separate assets for valuation purposes. We were unable to obtain sufficient appropriate audit evidence about the revaluation reserve and capital adjustment account as at 31 March 2018 and 31 March 2019. Consequently, we were unable to determine whether any adjustments to unusable reserves are necessary.

The Authority has adopted a revaluation cycle in relation to property therefore not all property assets are revalued on an annual basis. We were unable to obtain sufficient appropriate audit evidence about revaluation movements between the most recent valuation dates and the year end. Consequently, we were unable to determine whether any adjustments to the property values were necessary.

The Authority has not accounted for revaluations within the Property, Plant and Equipment note correctly with gross cost and accumulated depreciation being overstated by the same amount in the current and prior year; this is due to movements in revaluations being recoded on the cost/ valuation line only with no adjustment for depreciation to date. There is a potential that this may be material, however the amount cannot be quantified.

Non-Domestic Rates (NDR) Appeals Provision

As at 31 March 2019 and 31 March 2018 the NDR provision was £3.63m and £2.73m respectively.

The Authority recognises a provision in relation to their share of the appeals raised against the non-domestic rates it collects on behalf of itself and other entities as part of the Authority's collection fund. We were unable to obtain sufficient appropriate audit evidence in relation to the year end balance. Consequently, we are unable to conclude that the provisions held are held

Statement of Accounts	
	appropriately in line with the CIPFA code. There is a potential that this may be material.
Key issues from work performed on the Statement of Accounts	
We identified five uncorrected misstatements	<p>We received a set of draft accounts in line with the agreed deadline.</p> <p>The final Statement of Accounts upon which we issued our opinion contained five errors.</p> <p>The Partnership’s estates team performed an impairment review which does not consider whether there have been any significant indexation movements on the Partnership’s assets since the previous valuation. As the assets are valued on a five year cycle this can result in potentially significant movements. The Partnership have identified that they do not have sufficient resource to calculate the impact of such indexation.</p> <p>The council has accounted for the revaluation gain / loss on the land and building components on a total basis. This is not appropriate under the CIPFA guidance and these components should be accounted for separately. The approach suggested has been confirmed with the CIPFA and is consistent with that taken by other councils, including other Dorset county / district councils. This has been the approach taken by the Partnership for the previous 12 years and therefore it will be a significant piece of work to calculate the potential error to the opening reserves balances. The opening balances will then have a knock on effect on what the correct accounting treatment would be for the current year gains and losses and therefore these have not been possible to quantify.</p> <p>From the independent confirmations that have been obtained as part of the audit it has been identified that investments have been overstated by £155k.</p> <p>During the audit it was identified that there are £295k of debit balances included within the creditors ledger.</p> <p>An error has been noted when reconciling the CY and PY collection fund balances to the collection fund model.</p>
Annual Governance Statement	
The Statement includes all appropriate disclosures and is consistent with our understanding of the Council’s governance arrangements	<p>As appointed auditors, we review the Annual Governance Statement (“AGS”) and comment on any inconsistencies noted between the AGS and our audit work, other work relating to the Code of Audit Practice, and our understanding of the Council’s Governance arrangements.</p> <p>We have concluded that the Statement includes all appropriate disclosures and is consistent with our understanding of the Council’s governance arrangements and internal controls derived from our audit work.</p>
Powers and Duties	
We did not receive any questions	Under the Local Audit and Accountability Act 2014, auditors have specific powers and duties, including to give electors the opportunity to raise questions about the

Statement of Accounts	
about the accounts or make any public interest reports	<p>accounts and to consider and decide upon objections received in relation to the accounts. We did not receive any such questions or objections.</p> <p>We have a duty to consider whether to issue a report in the public interest about something we believe the Council should consider, or if the public should know about.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p>
Whole of Government accounts return	
The Council is below the audit threshold	<p>The Council prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review this pack as the Council falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.</p>
Audit Certificate	
We have issued our certificate	<p>We issued our certificate on 16th January 2020. The certificate confirms that we have concluded the audit for 2018/19 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.</p>

5. Value for Money

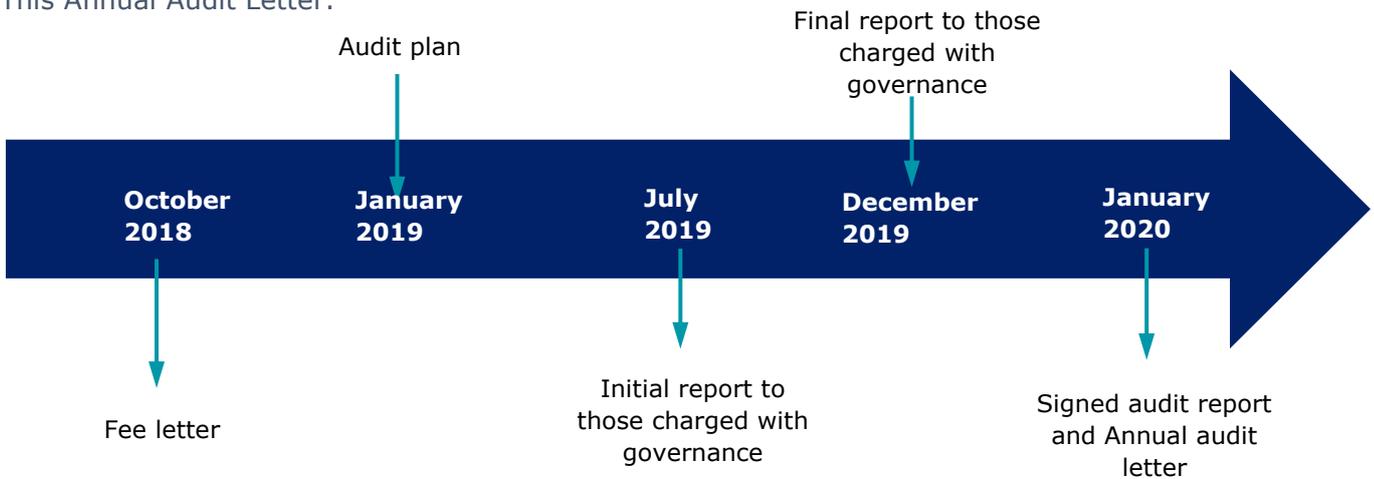
Background and approach	
<p>The approach to our audit work in relation to value for money (“VFM”) was specified by the National Audit Office.</p> <p>We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.</p> <p>We would emphasise that it is the arrangements in place that we are required to assess, and not the actual decisions made by the Council.</p> <p>We planned our local programme of work based on our risk assessment, which was informed by a series of risk factors determined by the National Audit Office.</p>	
The VFM conclusion	
<p>Having performed our work in line with guidance received from the National Audit Office we issued an unqualified value for money conclusion for the 2018/19 financial year.</p> <p>There are significant issues upon which we are unable to conclude our audit testing, notably the valuation of property assets and the NDR appeals provision. We have concluded that these do not have an impact on the Value for Money conclusion as these qualifications relate to accounting adjustments being posted within the financial statements and not the initial spend relating to these items.</p>	

6. Other Matters

Reports issued

Reports issued during the course of the 2018/19 audit included:

- Audit Fee letter;
- Annual Audit Plan;
- The Report to Those Charged with Governance on the 2018/19 audit of the Council; and
- This Annual Audit Letter.



Analysis of audit fees

Audit fees charged are as follows:

	2018/19 £
Scale fees for the audit of the Council's annual accounts, VfM conclusion and whole of government accounts return (planned fees £33,091)	49,091

Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

We confirm that we comply with FRC's 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.

In our opinion there are no inconsistencies between FRC's 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.

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.

No matters impacting our independence have arisen during the year.

Statement of Responsibilities

The Statement of Responsibilities of Auditors and Audited Bodies issued by PSAA explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the National Audit Office.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Council but no control procedures can provide absolute assurance in this area.

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