



Ayrshire Valuation Joint Board

Final report to the Board and the Controller of Audit on the 2017/18 audit

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

I have pleasure in presenting our final report to the Board for the 2018 audit. The scope of our audit was set out within our planning report presented to the Board in March 2018.

This report summarises our findings and conclusions in relation to:

- The audit of the **financial statements**; and
- Consideration of the wider scope requirements of public sector audit. This includes our consideration of the Board duty to secure best value. As set out in our plan, due to the relative size and scale of the functions delivered by the Board, we concluded that the full wider scope audit was not appropriate. In accordance with paragraph 53 of the Code, our work in this area was restricted to concluding on:
 - The appropriateness of the disclosures in **the governance statement**; and
 - The **financial sustainability** of the Board and the services that it delivers over the medium to longer term.

Introduction (continued)

The key messages in this report – financial statements audit

I would like to draw your attention to the key messages of this paper in relation to the audit of the financial statements:

Conclusions from our testing

- The significant risks, as identified in our audit plan, related to:
 - occurrence of income; and
 - management override of controls.
- A summary of our work on the significant risks is provided in the dashboard on page 8.
- We have identified one audit adjustment from our procedures totalling £358k relating to restatement of the net pension fund asset. More details on this are provided on page 22
- The management commentary and annual governance statement comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the Board.
- The auditable parts of the remuneration report have been prepared in accordance with the relevant regulation.
- Based on our audit work, we have issued an unmodified audit opinion.

Insights

- We have utilised Excel Analytics to perform analytics on the journal entries posted in the year to profile the journal population which has helped us identify journals of audit interest, such as journals posted on non-business days or journals with key words. No issues were noted from this testing.

Status of the audit

- The audit is complete.

Introduction (continued)

The key messages in this report – wider scope

The following sets out the key messages of this paper in relation to the wider scope work:

Financial sustainability

The Board continues to face a challenging financial position. The Board met all of its financial targets in 2017/18 as summarised below. However, the Board recognised in its draft budget for 2018/19 that without appropriate action being taken, reserves would be completely depleted before the end of 2019/20; therefore, savings and efficiencies from recurring sources need to be achieved from 2019/20 onwards.

<p>2017/18 final outturn position reported a deficit in the CIES of £321k. After statutory adjustments this is a deficit of £19k, against an originally agreed budget deficit (before draw on reserves) of £225k. This movement is largely related to slippage in the implementation of the new operating system project and staff vacancies.</p>	<p>A balanced budget for 2018/19 was approved in February 2018. This proposes a planned draw on reserves of £146k. The Board acknowledges the importance of identifying additional sources of savings and efficiencies.</p>	<p>The 2018/19 budget also includes £70k separate capital funding annually from the local authorities for 2018/19 and 2019/20 to fund a new core operating system and phase 1 of digitisation.</p>	<p>The Board's 2018/19 budget forecasts closing uncommitted reserves of £267k, and that without further action reserves will be significantly reduced by 2019/20. The Board remains committed to ongoing action to reduce reliance on reserves and to establish future sources of savings and efficiencies.</p>
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Governance statement

We have reviewed the annual governance statement for appropriateness of the disclosures in the governance statement or any other issues and best practice, and can confirm consistency with the financial statements and that it has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014 and the requirements under the Delivering Good Governance in Local Government: Framework (2016).

Pat Kenny
Audit Director

Our audit explained

Area dimensions

In accordance with the 2016 Code of Audit Practice, we have considered:

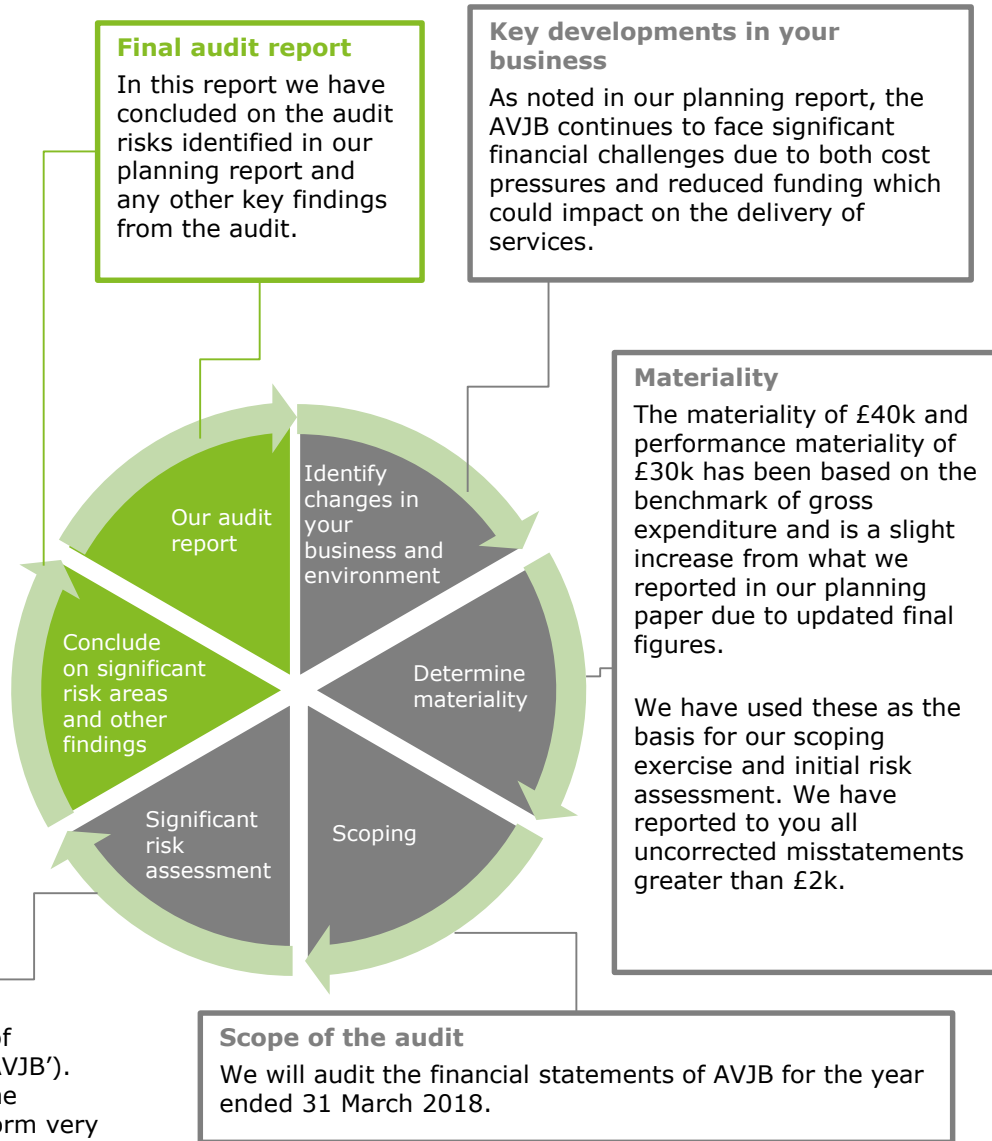
- The appropriateness of the disclosures in the governance statement; and
- Financial sustainability

Significant risks

Our risk assessment process is a continuous cycle throughout the year. Page 8 provides a summary of our risk assessment of your significant risks.

Quality and Independence

We confirm we are independent of Ayrshire Valuation Joint Board ('AVJB'). We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.



Timeline 2017/18

February 2018 – April 2018

Meetings with management and other staff to update understanding of the processes and controls.

March 2018

Presented planning paper to the Board.

March 2018

Year end

July – August 2018

Review of draft accounts, testing of significant risk and performance of substantive testing of results.







4 September 2018

Board meeting and Accounts sign off

Financial statements audit



Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Occurrence of income			D+I	Satisfactory		Satisfactory	9
Management override of controls			D+I	Satisfactory		Satisfactory	10

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Risk 1 – Occurrence of Income

Risk identified

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in income recognition, evaluate which types of income, income transactions or assertions give rise to such risks.

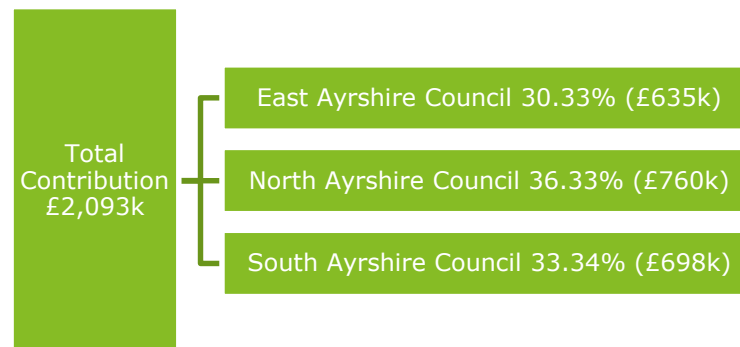
The main components of income for the AVJB are requisitions received from the all three of the Ayrshire Councils: South Ayrshire Council ('SAC'), North Ayrshire Council ('NAC'), and East Ayrshire Council ('EAC'). The significant risk is pinpointed to the recognition of requisition income, being occurrence of income received from the Councils given the reliance of the AVJB on this income and the potential that funding partners may not provide additional income to cover overspends.



Deloitte response

We have performed the following:

- tested the requisition income to ensure that the correct amounts have been input and received in accordance with that agreed as part of budget process;
- compared income recorded with expectations, based on amounts agreed as part of budget process; and
- assessed management's controls around recognition of requisition income.



Deloitte view

We have concluded that income has been recognised in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting

Significant risks (continued)

Risk 2 - Management override of controls



Risk identified

In accordance with ISA 240 management override is a 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 Board's controls for specific transactions.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- the Board's results throughout the year were projecting favourable variances, largely to do with slippage in implementing the new operating system, and therefore were projected to stay within budget and this was closely monitored with confidence that the Board would be able to meet its overall financial targets; and
- senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant transactions

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

Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

We performed design and implementation testing of the controls in place for journal approval. We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest.

Accounting estimates

In addition to our work on key accounting estimates discussed above, our retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements has been completed with no issues noted.

Deloitte view

- We have not identified any significant bias in the key judgements made by management.

Other matters

Defined benefits pension scheme

Background

The Board participates in the Strathclyde Pension Fund, a funded defined benefit scheme.

The net pension liability has decreased from £1,683k in 2016/17 to a net pension asset of £797k as a result of a the triennial actuarial valuation, which resulted in significant remeasurements resulting from changes to demographic assumptions, financial assumptions, and other assumptions.



Deloitte response

- we obtained a copy of the actuarial report produced by Hymans Robertson, the scheme actuary, and agreed in the disclosures to notes in the accounts;
- we reviewed and challenged the assumptions made by Hymans Robertson, including benchmarking as shown the table opposite;
- we assessed the reasonableness of the Board's share of the total assets of the scheme with the Pension Fund financial statements;
- we reviewed the disclosures within the accounts against the Code; and
- we assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.

	Board	Benchmark	Comments
Discount rate (% p.a.)	2.70	2.57	Reasonable – slightly optimistic
Retail Price Index (RPI) Inflation rate (% p.a.)	3.40	3.05	Reasonable – prudent
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.40	2.05	Reasonable – prudent
Salary increase (% p.a.) (over RPI inflation)	0.20	Board specific	Reasonable
Pension increase in payment (% p.a.)	2.40	2.05	Reasonable – slightly prudent
Pension increase in deferment (% p.a.)	2.40	2.05	Reasonable – slightly prudent
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	21.40	N/A	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	23.70	N/A	Reasonable

Deloitte view

We have reviewed the assumptions and, on the whole, the set of assumptions is reasonable and lies towards the middle of the reasonable range of assumptions when compared with the Deloitte benchmarks. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

From our review of the IAS19 report, we identified that the actuary understated the valuation of the plan assets. A revised report has since been provided which correctly values the plan assets, and an audit adjustment of £358k is required to increased the value of the plan asset.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report. The revisions to ISA (UK) 700 have changed the form and content of audit report, including how different sections are presented.



Our opinion on the financial statements

Our opinion on the financial statements is unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 13.

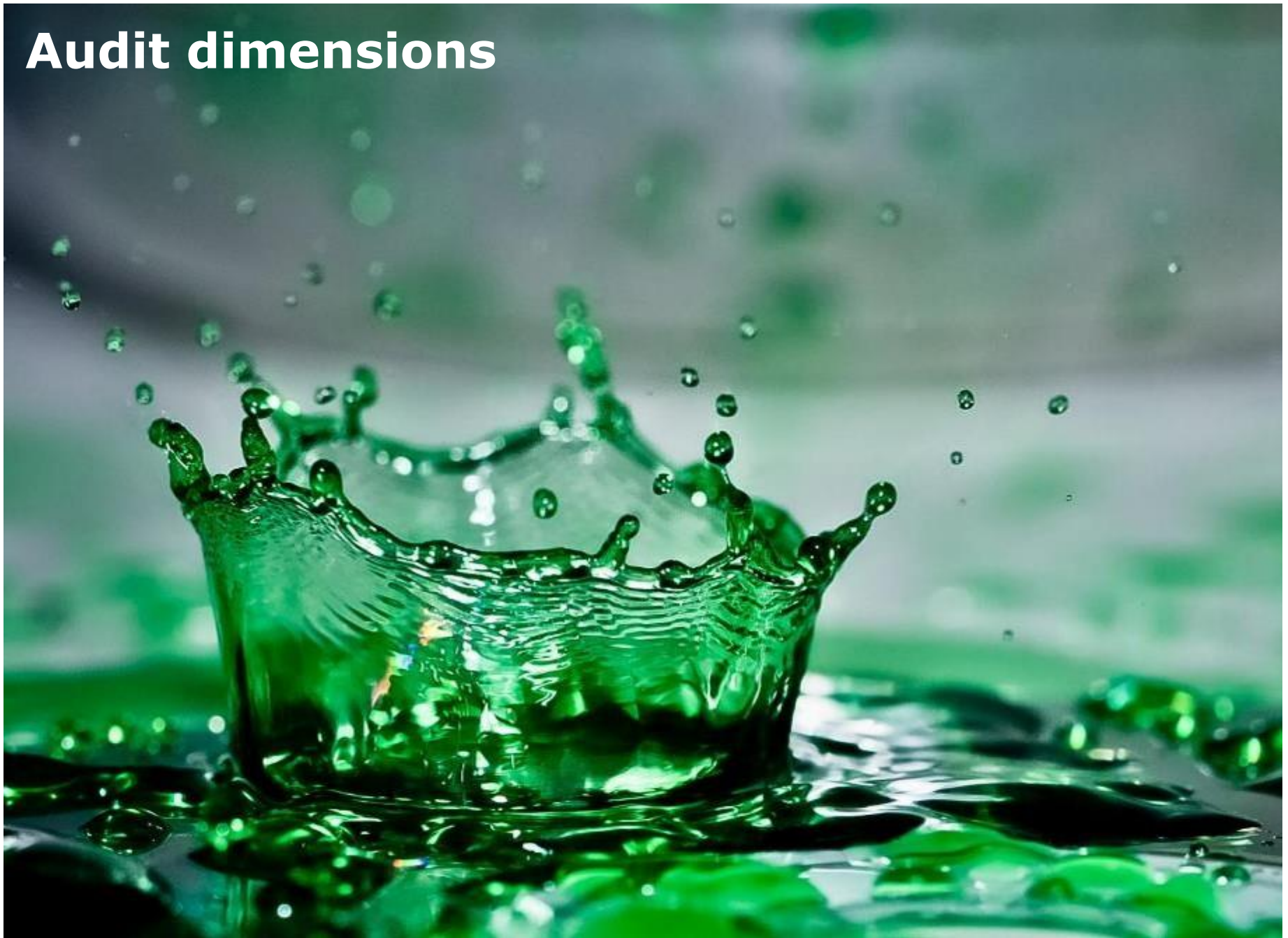


Your annual report

We welcome this opportunity to set out for the Board our observations on the annual accounts. We are required to provide an opinion on the remuneration report, the annual governance statement and whether the management commentary has been prepared in accordance with the statutory guidance.

	Requirement	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and performance review and targets. Deloitte note that the Management Commentary has been prepared in line with issued guidance. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The Board also focusses on the strategic planning context.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance. No exceptions noted.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p>
Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior councillors and Senior Employees of the Board.	We have audited the disclosures of remuneration and pension benefit, pay bands, and exit packages and confirmed that they have been properly prepared in accordance with the regulations.
Annual Governance Statement	The Annual Governance Statement reports that the Board governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the accounts direction. No exceptions noted.

Audit dimensions



Wider scope audit work

Overview

Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following areas. As set out in our plan, due to the relative size and scale of the functions delivered by the AVJB, we concluded that the full wider scope audit was not appropriate. In accordance with paragraph 53 of the Code, our work in this area was restricted to concluding on:

- The appropriateness of the disclosures in the **governance statement**; and
- The **financial sustainability** of the Board and the services that it delivers over the medium to longer term.

Our report is structured in accordance with these two areas, but also covers our audit requirements on best value and specific risks as summarised below.

Best Value (BV)

The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

We have considered the accountable officers' duty to secure BV as part of the governance arrangements considered as part of the wider scope audit work.

Specific risks (SR)

As set out in our Annual Audit Plan, Audit Scotland had identified a number of significant risks (SRs) faced by the public sector which we have considered as part of our work on the four audit dimensions.

SR 1 – EU Withdrawal

SR 2 – New Financial Powers

SR 3 – Ending public sector pay cap

SR 4 – Cyber security risk

SR 5 – Openness and transparency

Wider scope audit work (continued)

Financial sustainability

Audit dimension

As part of the annual audit of the financial statements, we have considered the appropriateness of the use of the going concern basis of accounting. Going concern is a relatively short-term concept looking forward 12 to 18 months from the end of the financial year. Financial sustainability interprets the requirements and looks forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Areas considered



- The financial planning systems in place across the shorter and longer terms.
- The arrangements to address any identified funding gaps.
- The affordability and effectiveness of funding and investment decisions made.
- Workforce planning.

Deloitte response



We have reviewed the AVJB's actions in respect of its short, medium and longer term financial plans to assess whether short term financial balance can be achieved, whether there is a long term (5-10 years) financial strategy and if investment is effective.

We have also assessed the AVJB's performance in undertaking transformational change, reliance on reserves and achievement of savings targets.

Deloitte view

Short term financial planning: the AVJB has a clear process in place for short term financial planning as demonstrated by robust budget setting and monitoring arrangements. Financial balance has been achieved in 2017/18 with a deficit reported in the CIES of £321k; after statutory adjustments this is a deficit of £19k, which against an originally agreed budget deficit (before draw on reserves) of £225k is a significant underspend. However, this underspend is largely related to slippage in the implementation of the new operating system project, which as at period 10 was reporting an underspend of £90k as a result of the operational requirement to postpone the project until after the 2017 General Election.

Medium term financial planning: a balanced budget for 2018/19 was approved in February 2018, which includes a planned draw on reserves of £146k. While the level of reserves is sufficient in both 2017/18 and 2018/19 to bridge the funding gaps, the AVJB acknowledges that this will not be sustainable in the medium to longer term. The budget explicitly states that it is not presenting a revenue budget for 2019/20 in order to allow more time to identify further efficiencies and savings in order to reduce the funding gap and therefore maintain reserves at an appropriate level. Deloitte acknowledges that this is an area for improvement, and a recommendation has been raised to recommend that these efficiencies and savings be identified to ensure medium to longer term financial sustainability and maintenance of healthy reserve levels.

Longer term financial planning: Deloitte acknowledges that it is not possible to plan for the longer term (5-10 years) due to the uncertainty around future funding from the government, given that ultimately the AVJB relies on contributions from the constituent authorities which in turn rely on Scottish Government funding.

Wider scope audit work (continued)

Governance statement

Audit dimension

As part of the annual audit of the financial statements, we have considered the appropriateness of the disclosures in the governance statement.

Areas considered



- The completeness of the disclosures in meeting the requirements of the essential features, as specified in the good governance framework
- Inconsistencies between the disclosures or between the disclosures and audit knowledge.

Deloitte response



Based on our audit work and the work of internal audit, we have not identified, for reporting, any changes in governance arrangements or any issues of concern in the governance statement.

Deloitte view

The governance statement meets the requirements of the good governance framework and no inconsistencies have been noted between the disclosures and our knowledge gained during the audit.

Having reviewed the processes in place at the VJB, and having identified no issues during our audit testing, we are satisfied that there are appropriate arrangements in place for securing best value.

Wider scope audit work (continued)

Specific risks

In accordance with our Audit Plan, we have considered the specific risks identified by Audit Scotland as part of our audit as follows:

Risk identified	Response
<p>EU Withdrawal</p>	<p>The UK is expected to leave the European Union (EU) on 29 March 2019, followed by a transition period to the end of 2020. There are still a lot of uncertainties surrounding the terms of the withdrawal agreement but the outcome will inevitably have significant implications for devolved governments in Scotland and for Scottish public sector bodies.</p> <p>Given the scale of the potential implications and possible timescales for implementing changes, it is critical that public sector bodies are working to understand, assess and prepare for the impact on their organisation. This is likely to include consideration of three areas:</p> <p>Workforce: the extent to which potential changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.</p> <p>Funding: the extent to which potential changes to funding flows including amounts anticipated under existing EU funding programmes, are likely to affect the finances of the organisation and the activity that such funding supports.</p> <p>Regulation: the extent to which potential changes to regulation across a broad range of areas currently overseen at an EU level are likely to affect the activity of the organisation.</p> <p>Unlikely to have a significant impact on AVJB’s operations given number of staff is small, funding is from 3 constituent authorities and unlikely to be affected by EU regulation.</p>
<p>New financial powers</p>	<p>The Scottish Parliament’s new financial and social security powers and responsibilities from the 2012 and 2016 Scotland Acts are fundamentally changing the Scottish public financials. The Scottish Government’s medium-term financial strategy was published in May 2018 in response to recommendations in the Budget Process Review Group final report, and has made a number of other commitments to improve financial management and help Parliamentary scrutiny of decisions.</p> <p>As a result of this, there is an expectation that public bodies will be seen before subject committees of the Parliament more often. Valuation Joint Boards should therefore use this as an opportunity to make comment within their annual reports beyond the compliance requirements to clearly articulate their achievements against outcomes and future plans.</p>
<p>Ending public sector pay cap</p>	<p>The 2018/19 budget includes pay awards which have been aligned to the thresholds set out by the Cabinet Secretary in the Stage 1 debate on 31 January 2018, which are: (1) 3% increase for those paid up to £36k; (2) 2% between £36k and £80k; and (3) £1,600 flat amount for above £80k. Pay budget calculations factor these pay awards in.</p>

Wider scope audit work (continued)

Specific risks (specific risks)

Risk identified	Response
<p>Cyber security risk</p>	<p>The Board regularly reviews and updates the following documents:</p> <ul style="list-style-type: none"> - ICT Strategy - Business Continuity Plan - Corporate Risk Register (CRR) – updated at six-monthly intervals – this includes IT-centric risks, e.g. data breach, inadequate systems, and inadequate business recovery arrangements, recognising the significance of cyber security to the operations of the Board. Each risk includes details of mitigating controls in place and what the Board is doing to develop adequate controls. <p>The Board also defers to SAC policies, strategies and approaches in these areas, through its service level agreement.</p> <p>With reference to supply chain, the Board consults with SAC Procurement in this regard, which we have evaluated via walkthroughs of key controls and processes as part of our planning procedures.</p>
<p>Openness and transparency</p>	<p>From our audit work, we are satisfied that the Board is appropriately open and transparent in its operations and decision making. All agendas, meetings minutes, annual accounts and other key documents are published online. Information is also published via the Scottish Assessors Association (SAA) portal.</p> <p>The Board also complies with the requirements of the Freedom of Information (FOI) publication scheme.</p> <p>The Board notes that the Barclay Review of Non-Domestic Rates (NDR) recommends further openness and transparency.</p>

Appendices



Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

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

What we don't report

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

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

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

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

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan and the supplementary "Briefing on audit matters" circulated separately.

This report has been prepared for the AVJB, 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.



for and on behalf of Deloitte LLP
Glasgow

4 September 2018

Audit adjustments

Adjusted misstatements

The following corrected misstatements have been identified up to the date of this report which management have corrected as required by International Standards on Auditing (UK and Ireland). The net impact of these is £358k in total comprehensive income for the period.

Note that no unadjusted misstatements have been identified.

	Debit/ (credit) CIES £k	Debit/ (credit) in assets £k	Debit/ (credit) liabilities/ reserves £k	Debit/ (credit) prior year reserves £k	If applicable, control deficiency identified
Misstatements identified in current year					
Pension Fund Asset	[1]	0	358	0	0
Other Comprehensive Income	-358	0	0	0	0
Total	-358	358	0	0	

[1] Understatement of valuation of pension fund asset

Action plan

Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Financial Planning – savings and efficiencies	The continued use of reserves is not sustainable in the medium to longer term. Efforts are ongoing to identify future sources of savings and efficiencies to ensure the maintenance of healthy reserve levels. This includes potential efficiencies from the implementation of a new operating system, the implementation of which is still ongoing. The achievement of savings and efficiencies will continue to be monitored over the audit contract.	The Board and its management acknowledge this and continue to take action in order to improve financial sustainability in the medium to longer term. It is expected that this will be realised through operational efficiencies arising from the Board's ongoing programme of modernisation.	Tim Baulk/H McPhee	31/3/2019	Medium

Action plan

Follow up of 2016/17 recommendations

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2017/18 Update
Financial Planning	The implementation of a medium term Financial Strategy (2-4 years) which includes a Capital Plan, scenario planning and sensitivity analysis.	<p>Financial planning has been incorporated into the 2017/18 budget setting process. However this has not been formally recorded at the Board meeting.</p> <p>Scenario planning and capital planning has been incorporated in the 2017/18 budget setting process.</p>	Tim Baulk	31 March 2018	Medium	<p><i>Partially implemented</i> – the Board has been engaged in a thorough process this year in order to address the budget requirements for 2018/19; this addresses a two year budget and includes a capital plan and provides a basis for a longer-term strategy based on increased operating efficiency with an overall aim of reducing reliance on reserves while providing best value to the authorities.</p> <p>We recommend that efforts continue to extend the timeline to 2-4 years by looking at finalising savings and efficiency options for 2018/19.</p>
Corporate Plan	We note the Corporate Plan finishes in 2018, therefore we recommend this is updated	A new 4 year Corporate Plan will be written up and implemented for 2018	Helen McPhee	31/3/18	Medium	<i>Implemented:</i> a final Corporate Plan has been produced for 2018-21 which states the AVJB's aims and objectives and how it aims to achieve Best Value over this period.

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity or group.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in complying with recognition of income and management override of controls as a key audit risk for your organisation.

During the course of our audit, we have had discussions with management, internal audit, and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements

We have reviewed the paper prepared by management for the AVJB on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No concerns have been identified regarding fraud.



Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The audit fee for 2017/18 is £7,080 as detailed in our Audit Plan.</p> <p>No non-audit fees have been charged by Deloitte in the period.</p>
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	<p>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 audited entity, its board 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.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>



Events and publications

Our publications and insights to support the Board

Publications

The State of the State 2017-18

Citizens, government and business

This year's report finds the UK government amid the complex challenge of leaving the EU. Inevitably, this early phase of EU exit is taking place under intense media scrutiny and passionate political debate. But while EU exit issues may dominate headlines, the public services face more local challenges as they address rising demand, budget restraint and renewed levels of concern about social inequality.

The State of the State 2017-18 explores government through three lenses – the citizen lens, the public sector lens and the business lens.

Download a copy of our publication here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/state-of-the-state.html>

Sharing our informed perspective

We believe we have a duty to share our perspectives and insights with our stakeholders and other interested parties including policymakers, business leaders, regulators and investors. These are informed through our daily engagement with companies large and small, across all industries and in the private and public sectors.

Recent publications relevant to the local authorities are shared opposite:

Article: Public sector transformation

Five lessons from the private sector

An analysis of private sector global companies, including high-tech start-ups, manufacturers, banks, retailers and insurance firms, reveal five valuable lessons for the public sector.

Read the full article here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sector-transformation.html>





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