



Dumfries and Galloway Council

External Audit Plan for the financial year ending 31 March 2020

Audit, Risk and Scrutiny Committee

Final External Audit Plan - 31 March 2020

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Our audit at a glance



Group planning materiality is set at **£7.79 million** (Council only: £7.47 million), being approximately 1.5% of gross expenditure based on 2018/19 actual. This is based on our assessment of what misstatement either individually or in aggregate could be significant as to be misleading to the users of financial statements. Our materiality benchmark is operating expenditure adjusted for contributions to Dumfries and Galloway Integration Joint Board to remove the effective double recognition of this expenditure on our materiality. We will revisit our materiality throughout our audit including updating to reflect the unaudited financial statements.



In accordance with Audit Scotland's planning guidance, during 2019/20 we will have particular audit focus around the risk of fraud and corruption in Dumfries and Galloway Council's [procurement arrangements](#).



Performance materiality is set at 75% of overall materiality. This is consistent with the prior year reflecting our audit knowledge and understanding. While there was one material audit adjustment in the prior year in relation to recognising the impact of the McCloud judgement on defined benefit pension liabilities, we consider this to be unique in 2018/19 and not systemic of any increased risk of material misstatement in the current year.



Significant audit risks are: management override of controls; risk of fraud in revenue recognition as set out in International Standards on Auditing (ISAs UK); the risk of fraud in expenditure recognition as set out in Financial Reporting Council's (FRC) Practice Note 10, defined benefit pension obligations, and the valuation of property plant and equipment.

An audit
underpinned by
quality and adding
value to you



Dumfries and Galloway Council faces significant financial challenges over the coming years. The Council forecast a cumulative budget gap of £47 million by 2021/2022, representing 13% of the Council's current revenue funding. The successful development and implementation of the Transformation Programme will be essential to support the financial sustainability of the Council while meeting the outcomes targeted within the Council Plan 2017-22.



Our audit is undertaken in accordance with the Audit Scotland Code of Audit Practice and reflects the wider scope nature of public audit. Through our audit planning we have identified wider scope including risks to the [Council's financial sustainability](#) and value for money arrangements and arrangements for demonstrating best value including consideration of value for money around the [provision of waste management arrangements](#) at the Council following the buy-out of the PFI arrangement. Throughout our planning and audit work we re-review wider scope risks and will update these where necessary during the year.

Contents

Section	Page
1. Overarching principles of our audit	4
2. Respective responsibilities	5
3. Audit process and timetable	6
4. Shared risk assessment and joint scrutiny	7
5. Financial statements audit	8
6. Materiality	9
7. A risk based audit methodology	10
8. Significant financial statement risks	11
9. Other audit areas	16
10. Wider scope audit	19
11. Wider scope risk assessment	21
12. Audit Scotland - audit deliverables	24
 Appendices:	
1. Fees and independence	27
2. Fraud arrangements	28
3. Communication with those charged with governance	29

Overarching principles of our audit

Our audit is risk based and undertaken in accordance with the International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice 2016 ('the Code'). Our overall objective is a effective, quality focused external audit which adds value through wider insights and challenge. Our audit foundations are:

- ✓ professional scepticism
- ✓ a focus on audit risks and key areas of management (Senior Officer) judgement
- ✓ Delivering a quality audit through our experienced public sector audit team, use of data analytics to focus our audit and understanding of the organisation
- ✓ clear and upfront communications, with regular communication during the year
- ✓ reporting with focused actions which will support you in improving your controls/operations

External Audit plan

The External Audit Plan summarises our responsibilities in accordance with ISAs and the Code:

- Respective responsibilities;
- Our audit process and timeline
- Materiality
- Our risk based audit approach to the audit of the financial statement
- Our wider scope responsibilities including those in relation to the four wider audit dimensions prescribed in the code: Financial management; financial sustainability; governance and transparency; and, value for money.

Continuous improvement and adding value

Our aim is to add value to Dumfries and Galloway Council through our external audit work. This will be delivered through delivering a high-quality audit. Specifically for Dumfries and Galloway Council we will also undertake the following arrangements:

Continuous learning and development: We have discussed with Management (Senior Officers) opportunities to develop our audit approach to ensure we deliver an efficient and effective audit approach. We will also continue to follow up on the Best Value Assurance Report findings as part of our wider audit scope.

Robust and effective audit methodology: Our ISA compliant audit methodology is tailored to focus audit resource on significant risk areas and key estimates and judgements. **Constructive challenge and feedback:** We aim to provide constructive challenge by identifying areas of improvement and by recommending and encouraging good practice.

Audit appointment

The Accounts Commission is an independent public body appointed by Scottish minister hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.

The Accounts Commission has appointed Grant Thornton UK LLP as external auditor of Dumfries and Galloway Council for the five year period 2016/17 to 2020/21.

Our team

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The audit will be supported by a team of qualified and part qualified accountants from our public sector audit team. Where required we will use other audit experts, including Public Sector technical accounting team to support our audit.

Respective responsibilities

As set out in the Code of Audit Practice there are a number of key responsibilities you as an organisation are responsible for, and others, as appointed auditors we are responsible for. These are summarised below:

Area	Dumfries and Galloway Council's Responsibilities
Corporate governance	<ul style="list-style-type: none"> Establishing arrangements for proper conduct of its affairs Legality of activities and transactions Monitoring adequacy and effectiveness of arrangements (inc role of those charged with governance)
Financial statements	<ul style="list-style-type: none"> Preparing financial statements which give a true and fair view of their financial position Maintaining accounting records and working papers Putting in place systems of Internal Control and maintaining proper accounting records Preparing and publishing an annual governance statement, management commentary and remuneration report Effective systems of internal control as well as financial, operational and compliance controls – supporting achievement of objectives and secure value for money
Financial position	<ul style="list-style-type: none"> Proper arrangements to ensure financial position is soundly based and responsibility to ensure arrangements secure Best Value
Fraud and error	<ul style="list-style-type: none"> Establishing appropriate arrangements for prevention and detection of fraud, error, irregularities, bribery and corruption and affairs are properly managed

Our responsibilities



- Undertake statutory duties and comply with professional engagement and ethical standards
- Provide an ISA compliant opinion on financial statements and where appropriate regularity of transactions
- Review and report on, as appropriate, other information eg annual governance statements, management commentary, remuneration reports
- Notify the Controller of Audit when circumstances indicate a statutory report may be required
- Demonstrate compliance with wider public audit scope in accordance with Audit Scotland's Code of Audit Practice and applicable guidance
- Contributing to Audit Scotland Performance Reports
- Providing regular updates to Audit Scotland to share awareness of current issues across our audit clients
- Notify Audit Scotland of any cases of money laundering or fraud
- Contribute to National Fraud Initiative (NFI) report
- Contribute to Audit Scotland technical guidance

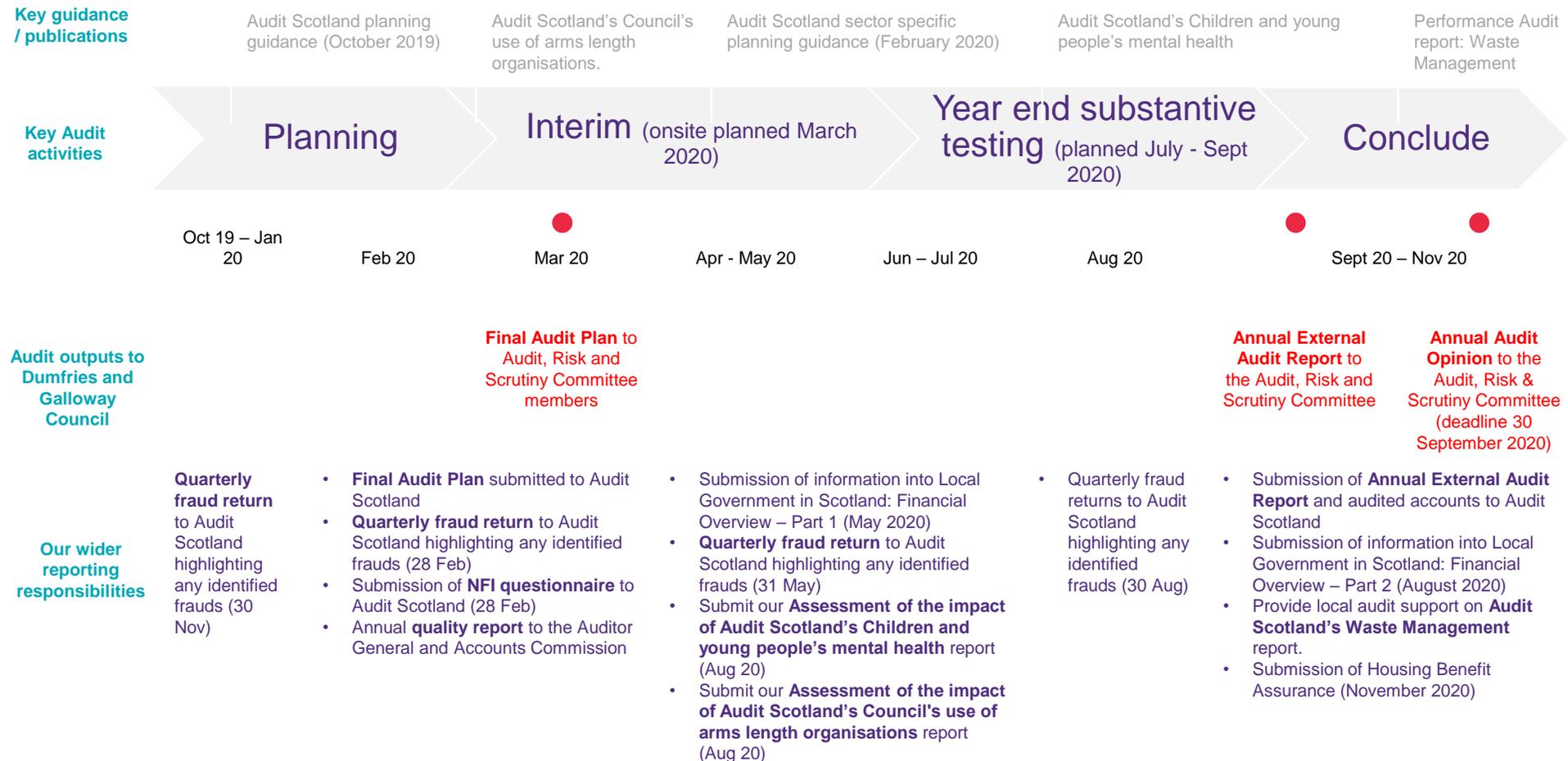
How do we do this in practice



- By reviewing and providing judgements and conclusions on Dumfries and Galloway Council's arrangements including those across the wider scope of audit dimensions.
- Suitability and effectiveness of corporate governance arrangements in year
- Financial position and arrangements for ensuring financial sustainability in the medium to longer term
- Review of other information in line with our knowledge and understanding of Dumfries and Galloway Council
- Ongoing dialogue and engagement with Audit Scotland during the year
- Providing quarterly fraud updates to Audit Scotland and information on any money laundering
- Providing relevant data to Audit Scotland relating to Dumfries and Galloway Council to contribute to shared risk assessment and national performance reports, including Local government in Scotland: Financial overview 2019/20.
- Consider and report on audited bodies participation in NFI
- Support Audit Scotland through engaging in technical guidance publications

Audit process and timeline

Our planned audit timeline is detailed below. In accordance with the Code of Audit Practice and audit Scotland Planning Guidance, we are required to undertake and report on a range of areas. The diagram below summarises our planned audit timetable for 2019/20, and output both to Dumfries and Galloway Council and Audit Scotland.



Throughout the audit process there will be continuous communication and engagement. We will also continue to engage with Audit Scotland to ensure they are aware of any current or emerging issues at the Council

Shared risk assessment and joint scrutiny

Shared Risk Assessment and Joint Scrutiny Planning

The Accounts Commission, supported by Audit Scotland, chairs the Strategic Scrutiny Group (SSG). The SSG is made up of scrutiny bodies from across the public sector to make their work on local government more co-ordinated, better targeted and more proportionate to identified risks. The scrutiny bodies involved include the Care Inspectorate, Education Scotland and the Scottish Housing Regulator. More information is available from the Scrutiny improvement page on the Audit Scotland website.

The Shared Risk Assessment (SRA) process was established by the SSG as the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at each council. Following a review of the SRA, there will be a greater focus in 2019/20 on coordinating and reporting on scrutiny at a national level, with the development and reporting against a National Scrutiny Plan (NSP).

At a local level, as the local authority external auditor, we are LAN Leads for Dumfries and Galloway Council, co-ordinating scrutiny at a local level. In February 2020 we held a Local Area Network (LAN) for Dumfries and Galloway Council. The LAN involves discussions of risks and scrutiny arrangements from scrutiny providers including the Care Inspectorate, Housing Regulator and Education Scotland, and the results of discussions between the LAN and its council feed into the NSP. The discussions also inform and are informed by our local audit external audit plan.

Financial statements audit



We undertake your audit in accordance with International Standards on Auditing (UK) (ISAs) and the Audit Scotland Code of Audit Practice (May 2016). On an annual basis we are required to give an opinion as to whether the Financial Statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of Audit Practice on Local Authority Accounting in the UK
- have been properly prepared in accordance with International Financial reporting standards as adopted by the European Union, as interpreted and adapted by the 2019/20 Code
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003
- The information contained within Management Commentary and Annual Governance Statement is consistent with the financial statements and prepared in accordance with applicable guidance.
- The audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) regulations 2014.

Group accounts

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The Dumfries and Galloway Council Group accounts consist of the Council's subsidiary: the South West of Scotland Transport Partnership (SWestrans). The financial statements also incorporate the Dumfries and Galloway Integration Joint Board on an equity basis.

We will review the Council's group consolidation and perform analytical procedures at the Group level to gain assurance over the Group Accounts. We will review the draft financial statements for the Council and Group and re-evaluate our planned approach to ensure this remains suitable.



Materiality

Basis for materiality

We determine financial statement materiality based on a proportion of the total operating expenditure less IJB contributions accounting entries. The IJB contributions are excluded from our determination of materiality as the transactions reflect an accounting adjustment to reflect contributions to and from the IJB rather than underlying financial transactions in delivering IJB related services. Therefore to avoid overstating materiality these transactions are excluded and therefore are excluded. This approach is consistent with our prior year materiality determination. We have determined Group materiality to be **£7.79 million** (Council only: £7.47 million), which equates to approximately **1.5%** of your prior year total operating expenditure for the year, adjusted for contributions to the Integration Joint Board. We note this is a reduction on the prior year's materiality (1.7%) reflecting our inherent risk assessment of the Council.

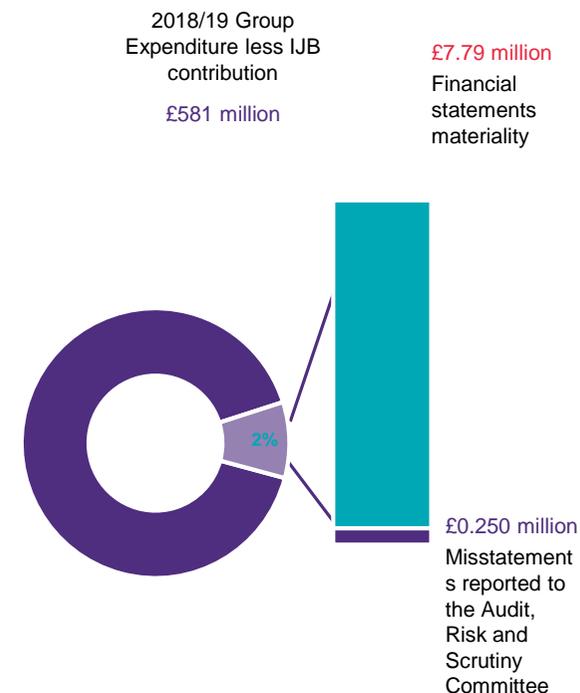
Performance materiality

Performance materiality represents the amount set for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. Based on our audit experience we have retained this for 2019/20 at **75%**, for Group being **£5.8 million** (Council: £5.6 million). Performance materiality determines those accounts which testing will be undertaken on and the level of sample testing performed where applicable. Performance materiality is set at 75% of overall materiality. This is consistent with the prior year reflecting our audit knowledge and understanding. While there was one material audit adjustment to the 2018/19 financial statements in relation to recognising the impact of the McCloud judgement on defined benefit pension liabilities, we consider this to be unique in 2018/19 and not systemic of any increased risk of material misstatement in the current year.

Our materiality reflects our professional judgement of the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We will apply a lower materiality threshold on review of the Remuneration and Staff report to ensure that remuneration has been disclosed within appropriate bandings (being **£5,000**). We will update our materiality based on the unaudited 2019/20 financial statements including determination of Group and Council only materiality. During the course of our audit engagement, we will continue to assess the appropriateness of our materiality.

Reporting to those charged with governance

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Risk and Scrutiny Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are required by auditing standards to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. We have determined this threshold to be **£250,000**, being the maximum reporting threshold prescribed by Audit Scotland.



A risk based audit methodology

A core part of audit planning is understanding Dumfries and Galloway Council and the wider local government sector. This is our fourth year as the external auditors of the Council appointed under the Audit Scotland framework. Through our audit planning procedures we consider a range of factors to assess the risk of material misstatement to the financial statements. Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Our risk assessment includes the following;

Consideration of critical accounting estimates including defined benefit pension scheme liabilities and the valuation of property, plant and equipment.

Assessment of inherent risk factors including changes in the organisation's activities and environment

Understanding of entity level controls and the control environment, including IT controls

Financial and operational performance during the year, including pressures in delivering outcomes while operating within budget

Identified Significant risks

- Risk of fraud in revenue recognition
- Risk of fraud in expenditure recognition
- Management override of controls
- Valuation of defined benefit pension obligations
- Valuation of property, plant and equipment

We continue to assess the risk of material misstatement and our response to these risks throughout our audit. Within our Annual Audit Report we will report to you the conclusions from our audit procedures over these risks, including any further risks identified or changes to our planned audit response.

Significant financial statement risks

Risk area	Areas of focus	Description of risk
Risk of fraud in revenue recognition	Service Income (at the year end) (Occurrence) Receivables (Existence, Valuation)	<p>As set out in ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. For annual grant funding we consider this to be well forecast and agreed directly to grant allocation letters. Likewise, for council tax and non-domestic rate income streams, we consider these revenue streams to be well forecast and not inherently at risk of manipulation. Similarly, revenue in relation to the IJB funding is agreed to underlying funding confirmation. For these revenue streams, we therefore rebut the presumed risk of fraud in revenue recognition. We consider the risk to be prevalent in other service income (2018/19 totalled £174 million) with a focus around the year end transactions and balances where financial performance is subject to greater external scrutiny. Therefore, we focus our testing on cut-off of service income.</p>
Audit Response		

- Walkthroughs of the controls and procedures over **service Income**.
- Perform substantive testing (at an elevated risk level) over income recognised in the final two months of the year where there is an increased risk of fraudulent recognition
- Evaluation of the existence of debtor balances held at 31 March 2020 through agreeing balances held to invoices and/or other supporting records.
- Perform income cut-off procedures and substantive testing over pre and post year end balances, over non revenue resource allocation funding income streams.
- A focus on recoverability of balances through agreeing a sample of debtor balances (at an elevated risk level) and agreeing to post year end cash receipt.

Significant financial statement risks

Risk area	Areas of focus	Description of risk
Risk of fraud in Expenditure recognition	Operating Expenditure (at the year end) (Completeness) Payables (Completeness, Valuation)	Operating expenditure recognition as set out in Practice Note 10. Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure). As set out in Practice note 10 (revised) which applies to public sector entities. As payroll expenditure is well forecast and agreeable to underlying payroll systems there is less opportunity for the risk of misstatement in this expenditure stream. We therefore focus on other material non-pay service expenditure streams. As financial performance targets are measured externally on year end outturn, we consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of non-pay service expenditure

Audit Response

- Walkthroughs of the controls and procedures over **non-payroll** expenditure
- Perform substantive testing (at an elevated risk level) expenditure recognised post year end to identify if there is any potential understatement
- Testing post year end bank statements and review of minutes to identify any potential unrecorded liabilities.
- Reviewing accruals and deferred income around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimate

Significant financial statement risks

Risk area	Areas of focus	Description of risk
Management override of controls	Journals Accounting Estimates	<p>As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management (Senior Officers) to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.</p> <p>We consider those key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management (Senior Officer) has the potential to influence the financial statement through estimate and judgement.</p>

Audit Response

Accounting estimates:

In assessing the risk of management override, consider those key accounting estimates and judgements that could impact on the organisations financial results and where there is an inherently increased risk of fraudulent misstatement or where management (Senior Officer) bias could result in a material misstatement. In particular we will focus on estimates around material provisions, accruals and defined benefit obligations. In response to the significant audit risk we will:

- consider the design of controls in place over key accounting estimates and judgements
- Review accounting estimates for management bias / indication of fraud that could result in material misstatement. This will include review of estimates as at 31 March 2020 and retrospective review of those estimates as at 31 March 2019.

Journals testing:

We will use our data analytics tool *Info* to support our evaluation of journal transactions during the year. In response to the significant risk we will:

- Assess the design of controls in place over journal entries, including how these are prepared, authorised and processed onto the financial ledger;
- Will risk assess the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We will test these journals to ensure they are appropriate and that suitably recorded in the financial ledger;
- We will perform targeted testing of transactions around the financial year end reviewing those journals are large or otherwise appear unusual to understand the rationale for the transaction.

Significant financial statement risks

Risk area	Areas of focus	Description of risk
Valuation of property plant and equipment	PPE – Valuation (Land, buildings and dwellings)	<p>In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the 2019/20 Code') property, plant and equipment is held at current value. The exact valuation basis depends on the nature and use of the assets. For land and buildings (where cost depreciated historical cost is not considered a reasonable proxy for current value), these assets need to be revalued with sufficient frequency to ensure the carrying value as at 31 March is not materially different to that if they had been valued at that date. As at 31 March 2019, Dumfries and Galloway Council held PPE of £877 million, including Other Land and Buildings of £679 million and Infrastructure Assets of £141 million. Given the value of PPE held by the Council and the level of complexity and judgement in the estimation of valuations, there is an inherent risk of material misstatement in the valuation of land and buildings. The risk is less prevalent in non land and buildings assets as these are generally held at depreciated historic costs, as a proxy of fair value and therefore less likely to be materially misstated.</p>

Audit Response

We will:

- Evaluate Senior Officers' processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- Evaluate the competence, capabilities and objectivity of the valuation expert;
- Discuss with the valuer to confirm the basis on which the valuation was carried out;
- Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding and engage our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation;
- Test revaluations made during the year to see if they had been input correctly into the asset register;
- Obtaining an understanding of the underlying data provided to the valuer to undertake the valuation and testing the data to ensure complete and accurate; and
- Evaluating the assumptions made by Senior Officers for those assets not revalued during the year and how they have satisfied themselves that these are not materially different to current value at year end.

Significant financial statement risks

Risk area	Areas of focus	Description of risk
Defined benefit pension scheme	Defined benefit pension scheme (valuation)	<p>The Council participates in the Dumfries and Galloway Council Pension Fund, a local government pension scheme. The scheme is a defined benefit pension scheme and in accordance with IAS 19: Pensions, the Authority is required to recognise its share of the scheme assets and liabilities on the statement of financial position. As at 31 March 2019 the Council had pension fund liabilities of £435 million.</p> <p>Hymans Robertson UK LLP provide an annual IAS 19 actuarial valuation of the Authority's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. Given the material value of the scheme liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme could be materially misstated within the financial statements.</p>
Audit Response		
<ul style="list-style-type: none"> • Walkthroughs of the controls over the valuation of pension scheme liabilities, including information and instructions provided to the pension fund and actuary • Understanding the arrangements in place at the Council for reviewing the assumptions adopted by the actuary and suitability of these for the Council • We will consider the suitability and reasonableness of the underlying assumptions adopted by the actuary in arriving at the defined benefit pension scheme liability, including ensuring underlying data used is appropriate in informing the valuation • Reviewing the underlying data supporting the valuation to ensure these are consistent with the Council's underlying records 		

Other audit areas

Going concern considerations

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of officer’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

We will review officer’s assessment of the going concern assumption and evaluate the disclosures in the financial statements, alongside our assessment based on substantive testing and audit procedures.

Working with internal audit

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

During 2019/20, we will engage with Internal Audit to confirm any awareness of fraud or suspected fraud, we do not place any direct reliance on the work of Internal Audit. Where Internal Audit have identified specific material deficiencies in the Council’s control environment that may result in a possible material misstatement to the financial statements we will consider adjusting our testing so that the audit risk is covered by our work.

Internal control environment

Throughout our audit planning and fieldwork we will continue to develop our understanding of the overall control environment (design) as related to the financial statements. In particular we will:

- Consider procedures and controls around related parties, journal entries and other key entity level controls.
- Perform procedures around IT general controls
- Liaison with Dumfries and Galloway Pension Fund over relevant controls around pension data and transfer of information to actuary to support the annual actuarial valuation
- Perform walkthrough procedures on key controls around identified risk areas including revenue, grant funding, payroll, non-payroll expenditure, the valuation of property, plant and equipment and defined benefit pension schemes.

Nithsdale Connected Trust Fund

Our audit appointment includes the audit of any trust funds falling within section 106 of the Local Government (Scotland) Act 1973 that are registered as charities with the Office of the Scottish Charities Regulator (OSCR). Auditors, appointed under the Accounts Commission are eligible under the charities regulations to audit a charity’s statement of accounts. As part of our audit work in the current year we will provide an opinion over the Council’s registered charity: the Nithsdale Connected Trust Fund. As part of our audit planning we have not identified an further audit risks in relation to this audit.

We will provide an independent audit opinion on the financial statements of the Nithsdale Connected Trust Fund for the year ended 31 March 2020.

CIPFA/LAASAC Code for 2019/20 – Key changes

The CIPFA/LASAAC Code for 2019/20 contains a number of small changes from the previous Code. In particular the Code includes:

- Revisions made to reflect the revised International Accounting Standards Board (IASB) Conceptual Framework for Financial Reporting, including: improvement to the objectives of the financial statements; updates to qualitative characteristics of useful financial information; new definitions of assets, liabilities, income and expenses; and, more guidance on measurement bases.
- Updated guidance has been issued around the treatment of the Apprenticeship Levy and removal of references to the carbon reduction commitment scheme and the landfill allowances schemes for England and Scotland.
- Updated guidance on IFRS 9 *Financial Instruments*: Prepayment Features with Negative Compensation & Lender Option Borrower Option (LOBOs).
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- Required disclosures on the impact of accounting standards issued, not yet effective including IFRS 16: Leases.



We do not currently consider that the above would result in a material impact to the Council. We will assess Officer's assessment of this guidance and its implementation as part of the 2019/20 audit.

Statutory Trading Operations (STO's)



The Council has one significant trading operation (STO); Local Government (Scotland) Act 2003. In accordance with the Local Government (Scotland) Act (2003), the STO is required to break even over a rolling three year period. In 2018/19 we reported that the STO failed to meet this statutory target. The Council has proposed that as the Services main commercial contract ceased, the operation no longer meets the definition of an STO and therefore will no longer have to demonstrate a breakeven position over a rolling three year period.

We will review officers evaluation of the STO to ensure that the operation does not meet the definition of an STO.

Whole of government accounts (WGA) and grant claims

The Code of Audit Practice requires appointed external auditors to review and report on WGA returns prepared by audited bodies. External auditors of local authorities, NDPBs and the Scottish Government are required to provide an assurance statement on 2019/20 WGA returns for bodies over a prescribed threshold determined by NAO. While we are not informed of the threshold until July 2020, we anticipate that we will be required to provide an assurance statement for the Council for 2019/20. Local government auditors are required to review and report on approved grant claims prepared by local authorities. This includes certification of Housing Benefit claim.



We will work with officers to ensure the timely completion and audit inspection of the WGA return and HBCOUNT returns.

International Financial Reporting Standard 16: Leases (IFRS 16)

The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.

In accordance with IAS 8 and paragraph 3.3.4.3 of the Code, disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.



As part of our 2019/20 external audit we will:

- Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements.
- Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC [Local Authority Leasing Briefings](#)

Coronavirus

The full extent and impact of the outbreak of novel coronavirus (COVID-19) remains uncertain. As a firm we are actively monitoring the outbreak and taking proactive steps to protect the health and wellbeing of our clients, employees and communities. We are following the latest guidance from Public Health England and Scotland and have taken precautionary measures including restricting non-essential travel and steps to limit potential exposure.

We have reached out to our audit clients, including Dumfries and Galloway Council, to understand arrangements in place to enable us to deliver the audit in the event that travel restrictions remain in place over the planned period of the audit. Currently, we assume that the audit will need to be delivered remotely. We have established arrangements, including remote working of our staff and testing approaches, taking into account regulatory guidance, in order to deliver our audit work. We will continue to liaise with health authorities, Audit Scotland and our clients about the situation.

For Dumfries and Galloway Council, the impact of the Coronavirus on the primary financial statements remains uncertain. External markets are likely to see a reduction in the market value of investments, including those in the Pension Scheme. There may also be further impacts on recoverability of income, particularly amounts due around the year end, should the local economy be significantly impacted. In addition, we would expect there to be an impact on the carrying value of land and buildings to reflect market impact on prices. Furthermore, there is likely to be additional costs incurred by the Council as it looks to support the local community, particularly the elderly and vulnerable during the crisis. We will continue to monitor the impact of the coronavirus and of government measures to manage the outbreak. Where required we will continue to reassess our audit plan accordingly.



Wider scope audit

Our responsibilities under Audit Scotland's Code of Audit Practice extend beyond the audit of the financial statements.

The Code sets out four dimensions that frame wider scope audit work into identifiable areas. Alongside Best Value, the audit dimensions set a common framework for our audit work and we review and conclude on the four dimensions and that there are organisational arrangements in place to secure Best Value.



Strategic audit priorities

As part of our best value work, we will consider the five strategic audit priorities agreed by the Accounts Commission. The key areas of focus are:

- Having clear priorities with a focus on outcomes, supported by effective long term planning.
- Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities.
- Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
- Empowering local communities and involving them in the design and delivery of local services and planning for their local area.
- Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.

We incorporate these audit priorities into our wider scope audit work.

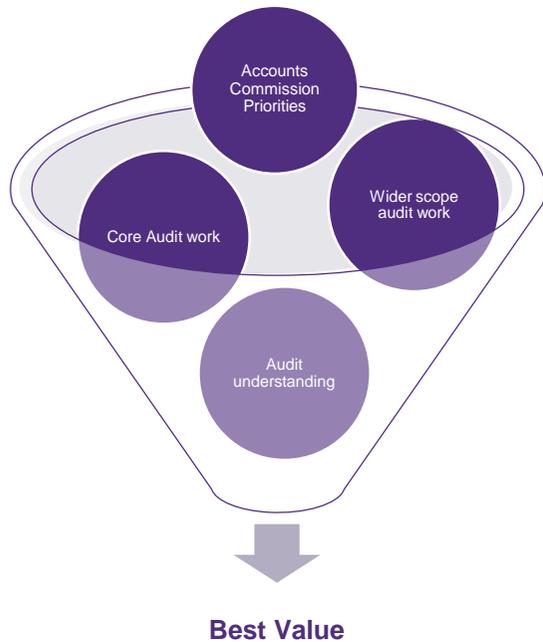
Statutory performance information

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibilities, under their Best Value duty to report performance to the public. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018. The guidance requires the Council to report:

- performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes;
- own assessment and independent audit assessments of how it is performing against its duty of BV, and how it plans to improve these assessments; and
- how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

2019/20 represents the first year that the new guidance came into effect. As part of our wider scope audit work we will evaluate the effectiveness and appropriateness of the arrangements at the Council to fulfil the above requirements providing a conclusion within our Annual Audit Report along with any recommendations for improving the arrangements.

Wider scope approach



Our wider scope audit work is a **risk based** approach. It is built upon our understanding of the organisation and consideration of:

- Four audit dimensions defined within the Audit Scotland Code of Audit Practice
- The Accounts Commission's key priorities
- Our core audit work and audit knowledge
- Audit Scotland planning guidance

We consider each of these areas through our audit planning process. We summarise our planning consideration over the wider scope areas below, including where we have identified a significant wider scope risk, our planned audit response. We will continue to consider the wider scope audit dimensions throughout our audit to allow us to conclude on the wider scope areas in our Annual Audit Report.

Wider scope risk assessment

Financial sustainability

The Council faces significant financial challenges over the coming years. The Council forecast a cumulative budget gap of £47 million by 2021/2022, representing 13% of the Council's current revenue funding. During 2018/19 the Council undertook a programme of transformation 'Transformation Events', utilising a range of organisational development tools to review services and activities to develop more efficient and effective ways of delivering services. The Council acknowledged that delivering the savings required means it will not be able to deliver the same services at current levels. This will result in Elected Members needing to make difficult decisions. The Council will need to make these decisions in early 2019 as planned so there is enough time to implement the plans.

Significant wider scope risk identified: Financial sustainability

The Council established a Transformation Programme to address the challenges of providing high-quality service across dispersed rural communities to an ageing population, against a backdrop of addressing a significant funding gap projected for future years.

The Transformation Programme is overseen by the Finance, Procurement and Transformation (FPT) committee to support oversight and governance. While key themes have been identified of where strategic transformation can be delivered, it is critical for the financial sustainability of the organisation that these are delivered.

Audit
response

Response to wider scope risk

We will review the progress made by the Council in developing and delivering transformation across the Council. We will consider the extent to which the Council's Transformation Programme has supported the Council achieve financial targets in the current year and future years.

During 2019/20 we will review the impact of the Council's early retirement / voluntary severance scheme on the Council's financial performance, including the assessment of voluntary severance programme and pay back for the Council and how this aligns to the Council's workforce plan.

Other wider scope procedures

In relation to broader financial sustainability we will continue to develop our understanding of the Council's financial planning arrangements including workforce plans and how these developed both supporting and recognising the financial and operational challenges facing the Council.

Financial management

The Council has well established financial management arrangements including oversight of financial performance during the year. Service committees and the council's Policy and Resources Committee monitor financial performance. Financial performance is reported throughout the year monitoring performance against approved budget.

During 2018/19, the Council delivered £11.272 million (94%) of targeted savings with the remainder (£736,000) being funded through planned use of the Council's Corporate Change Fund. A key area of saving has been delivered through staff costs where the Council has continued to reduce workforce to reflect more efficient and effective operating model and vacancy management.

Over period of financial challenges, since 2010 the Council has achieved its financial savings targets enabling the Council to maintain its uncommitted general fund balance at two per cent of annual expenditure. While the Council has historically demonstrated effective financial management arrangements, the identification and delivery of savings becomes increasingly challenging as scope for efficiencies reduce.

Audit
response

While we have not identified any significant risks in this area during our audit planning, we will continue to review the Council's financial management arrangements including the extent to which there is effective scrutiny over both operational spend as well as delivery of savings plans. Our work will consider the extent to which the performance impact of in year savings is monitored.

Governance and transparency

Effective governance arrangements, including oversight and scrutiny, are critical to enable the Council in delivering its strategic objectives and statutory duties. Dumfries and Galloway Council has continued to develop governance arrangements in place at the Council. During 2018/19 the Audit, Risk and Scrutiny Committee has moved to a proportional committee and therefore Admin members will join the committee. In addition, the Council changed its strategic committees to Communities (changed role); Economy and Resources; Finance, Procurement and Transformation (FPT); Education and Learning; and Social Work Services.

Under the Council's revised governance arrangements, Officers have been looking to develop risk management arrangements. This includes enhancing the scrutiny of strategic risks facing the Council.

Equality and diversity

Under the Equality Act 2010, public bodies, including the Council, must consider all individuals when carrying out their day-to-day work: in shaping policy, in delivering services and in relation to their own employees. The public sector equality duty, also known as the general equality duty, covers the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

As part of our Best Value work we will consider the extent to which Dumfries and Galloway Council promotes equality in both the provision of services as well as supporting a diverse and inclusive workforce.

Audit
response

We will consider, through discussions with officers and review of minutes Dumfries and Galloway Council's overarching governance arrangements. We will consider the extent to which enhancements made to the Council's governance arrangements have embedded across the Council. We will also consider the extent to which the Council continues to assess its governance arrangements against best practice.

We will review the revised reporting arrangements at the Council and the extent to which these align with the changes in committee structures and remits.

During our audit we will consider Dumfries and Galloway Council's risk management arrangements, including the level of oversight and scrutiny of strategy risks to the Council and committees of the Council.

Audit
response

We will assess how the Council ensure that its services meet the diverse needs of all citizens and communities, including identifying these needs and designing services to support a diverse range of service users.

We will also consider the arrangements in place at the Council for promoting a diverse and inclusive workforce.

Value for money

Dumfries and Galloway Council has a well established performance management framework in place, including corporate performance reporting. The Council has a suite of performance measures to monitor the delivery of the Council's priorities. The Council Plan 2017-22 outlines the key priorities and commitments for the Council and how these will be delivered.

Significant risk identified: Partnership working

A key risk for Dumfries and Galloway Council is balancing the delivery of priorities and outcomes while facing significant financial challenges. A critical element of this is how Dumfries and Galloway Council work with key strategic partners to enhance performance. In particular it is important that there are effective partnership working with Dumfries and Galloway Council and Dumfries and Galloway Integration Joint Board to transfer the balance of care from acute services to primary care.

Audit
response

Response to significant risk: We will assess the extent to which Dumfries and Galloway Council works with key strategic partners to enhance performance improvement and deliver outcomes for the local citizens. We will consider how the performance management framework is used to help monitor and shape performance improvement recognising the financial and resource pressures faced.

Other wider scope procedures:

Against a backdrop of financial challenges, we will continue to review performance against the annual Council Plan 2017-22 and annual performance outcomes. We will consider how financial performance measures are reported and monitored through senior officers and committees.

Significant risk identified: Waste Management

In September 2018, the Council agreed the early termination of a waste management PFI contract. The contract was due to continue until November 2029 but has encountered difficulties mainly associated with financial difficulties of the funder, particularly in complying with zero waste legislation. The Council has transitioned the services in-house and are in the process of exploring the strategic direction of waste management at the Council. Given the financial implications in delivering waste management services as well as the regulatory requirements associated with waste disposal, it is critical that the Council carefully evaluates and appraises the various options available with regards waste management.

Audit
response

Response to significant risk: We will assess the extent to which Officers have evaluated the various options with regards waste management at the Council. We will consider the extent to which the Council has explored various options with regards waste disposal and progress made in developing a financially sustainable solution that is sufficient to meet regulatory and operational needs.

Significant risk identified: Borderlands

The Borderlands Inclusive Growth Proposition was submitted to both the UK and Scottish Governments, by the Leaders of the five local authorities making up the Borderlands Partnership (Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council). An agreement on Heads of Terms was achieved in late June and was signed by the five Council Leaders, the Secretary of State for Scotland, the Cabinet Secretary for Transport, Infrastructure and Connectivity and the Minister for the Northern Powerhouse and Local Growth on 1 July 2019. The total funding value announced for the Deal was £350 million - £150 million in Scotland and £200 million in England. The Scottish allocation from the Deal is provided jointly by both Scottish and UK Governments with £85 million from the Scottish Government and £65 million from the UK Government.

Audit
response

Response to significant risk: The Council working with other partnership bodies have establish both local and partnership governance arrangements including a project management office to support the delivery of programmes under the deal supporting investment in the area. We will consider the arrangements from the perspective of Dumfries and Galloway Council. While unlikely to impact on the 2019/20 financial statements it will be important that robust governance arrangements in place to ensure clear and transparent decision making around any funding secured by the Council.

Audit Scotland – Audit Deliverables

As set out in the Code of Audit Practice, as appointed auditors we have a number of wider reporting responsibilities beyond the audit of the financial statements. Below we summarise the key areas of work during our 2019/20 audit, including expected reporting under Audit Scotland’s Code of Audit Practice and audit planning guidance

Requirement	How we will report our findings
Annual accounts Perform an audit of the annual accounts and express and express specified audit opinion on them.	<ul style="list-style-type: none"> External audit plan External auditor’s opinion on the financial statements Annual external audit report findings from our audit work of the financial statements
Wider scope audit dimensions Conclude and report on our assessment of the wider scope audit dimensions	<ul style="list-style-type: none"> Annual external audit report (audit findings report)
National Fraud Initiative Evaluate the Council’s participation in the National Fraud initiative	<ul style="list-style-type: none"> Annual external audit report (audit findings report) Reporting participation to Audit Scotland including completion of NFI questionnaire
Performance, impact and overview reports Contribute to performance audits (including overview reports, performance audit reports, and impact reports)	<ul style="list-style-type: none"> Submission of datasets to Audit Scotland of key financial and non-financial data of the body Providing Information returns to Audit Scotland
Local Area Network (LAN) Coordinated approach to local scrutiny	<ul style="list-style-type: none"> As appointed auditors, we lead LAN discussions on local scrutiny arrangements with local scrutiny bodies including Care Inspectorate, Housing Regulator, and Education Scotland.
Emerging issues Communication of emerging issues to Audit Scotland and highlight any issues for potential statutory reports	<ul style="list-style-type: none"> Communicating throughout our audit emerging issues throughout the year
Correspondence queries Carry out preliminary enquiries into any correspondence relevant to the Council that is referred to Audit Scotland.	<ul style="list-style-type: none"> Providing responses to any correspondence received based on our audit knowledge and understanding and the results of any review as agreed with Audit Scotland
Whole of Government Accounts Provide assurance over the Council’s Whole of Government Accounts (WGA) returns	<ul style="list-style-type: none"> Providing Assurance of the Council’s WGA return.
Money laundering and fraud Provide information on cases of money laundering or fraud	<ul style="list-style-type: none"> Reporting cases to the National Crime Agency of an instances of money laundering at the Council and identified frauds
Technical guidance Contribute to Technical Guidance Notes	<ul style="list-style-type: none"> Providing responses to Audit Scotland consultations on draft Technical Guidance notes for Auditors.
Education Maintenance Allowance Certification of EMA Claim	<ul style="list-style-type: none"> Providing independent audit certification of the Council’s EMA return (July 2020)
Bus Operator Grant Independent certification of the Bus Operator Grant	<ul style="list-style-type: none"> Independent certification of Bus Operator Grant

Requirement	How we will report our findings
<p>Audit Scotland area of focus - Procurement</p> <p>In accordance with Audit Scotland’s planning guidance, during 2019/20 we will have particular audit focus around the risk of fraud and corruption in Dumfries and Galloway Council’s procurement arrangements. We will evaluate the arrangements at the audited body to mitigate that risk, auditors may wish to consider whether:</p> <ul style="list-style-type: none"> • Procurement risk is recognised and managed with key owner; • controls around the procurement process, including segregation of duties, are adequate, followed and enforced • Appropriate policies and procedures in place around procurement including gifts and hospitality • Capacity and capability to undertake procurement activity • internal audit coverage of procurement systems is adequate and proportionate to the risks faced by the body • There are arrangements to encourage and protect whistle-blowers. 	<ul style="list-style-type: none"> • Our audit work will consider the arrangements for the prevention and detection of fraud and corruption. Specifically, we will consider the extent to which the Council follows the principles of CIPFA’s Code of Practice on Fraud. Our conclusions will be reported in our 2018/19 Annual External Audit Report.
<p>Housing Benefits Subsidiary Claim</p> <p>Independent certification on housing benefit subsidy claim to DWP</p>	<ul style="list-style-type: none"> • Providing independent assessment of the Housing Benefits Subsidiary Claim (November 2020)

Appendices

Appendices:

1. Fees and independence	27
2. Fraud arrangements	28
3. Communication with those charged with governance	29

Appendix 1: Fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	201,540
Pooled Costs	19,610
Contribution to Audit Scotland costs	12,110
Contribution to Performance Audit and Best Value	97,090
2019/20 Fee	330,350

Fees for other services

Service	Fees £
At planning stage we confirm there are no non-audit fees	Nil
Audit of Nithsdale Connected Trust Fund	1,000

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- Full details of all fees charged for audit and non-audit services will be included in our Annual Report to those charged with governance at the conclusion of the audit.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standards.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

Audit Scotland sets an expected fee for each audit carried out under appointment which assumes that the body has well-functioning controls, an effective internal audit service, and an average risk profile.

Audit Scotland reviews the expected fee each year and adjusts it if necessary based on auditors' experience, new requirements, or significant changes to audited bodies. The audit fee is calculated in accordance with guidance issued by Audit Scotland. In accordance with the Audit Scotland guidance we can increase the auditor remuneration element of the fee by up to 10% from the base fee set by Audit Scotland, depending on risk factors identified by us as your external auditors. We cannot reduce the fee from the baseline set out by Audit Scotland. For 2019/20 we have retained the fee at the baseline fee. The fee is based on the following assumptions:

- supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- the scope of the audit, and the Councils' activities will not change significantly from planned
- Dumfries and Galloway Council will make available Senior Officer and accounting staff to help us locate information and to provide explanations. We reserve the right to charge an additional fee for any additional work.
- We will only receive (and audit) 3 sets of accounts (1st draft; amended draft and final)
- Specific balances such as valuations of assets are supported by an independent specialist

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Appendix 2: Fraud arrangements

The term fraud refers to intentional acts of one or more individuals amongst management (Senior Officers), those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is alert to the possibility of fraud at Dumfries and Galloway Council.

As part of our audit work we are responsible for:

- identifying and assessing the risks of material misstatement of the financial statements due to fraud in particular in relations to management (Senior Officer) override of controls.
- Leading a discussion with those charged of governance (for Dumfries and Galloway Council this is assumed to be the Audit, Risk and Scrutiny Committee) on their view of fraud. Typically we do this when presenting our audit plan and in the form of management (Senior Officer) and those charged with governance questionnaires.
- designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud
- responding appropriately to any fraud or suspected fraud identified during the audit.

As auditors we obtain reasonable but not absolute assurance the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We will obtain annual representation from Senior Officer regarding their assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement.

Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the planning guidance) to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at Dumfries and Galloway Council we will report to the Auditor General as required by Audit Scotland.

The primary responsibility for the prevention and detection of fraud rests with management (Senior Officer) 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.

It is Dumfries and Galloway Council responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

Throughout the audit we work with Dumfries and Galloway Council to review specific areas of fraud risk, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control.

In addition, as set out in the Audit Scotland Code of Audit Practice we have a role in reviewing Dumfries and Galloway Council arrangements in response to the national fraud initiative exercise.

All suspected frauds and/or irregularities over £5,000 are reported to Audit Scotland by us as your auditors on a quarterly basis.

Appendix 3: Communication with those charged with governance

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while our Annual Report to those Charged with Governance will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to Dumfries and Galloway Council Senior Officers and the Audit, Risk and Scrutiny Committee.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management (Senior Officers)/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of Dumfries and Galloway Council's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving Senior Officer and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the entity or all weaknesses in your internal controls.

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