

The Audit Findings-Addendum For Cheshire West and Chester Council

Year ended 31 March 2019

23 July 2019





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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Addendum

Since we prepared our audit findings report, we have completed further qualitative and compliance tests of the amended financial statements, and as a consequence have identified further issues we wish to bring to the attention of those charged with governance. See pages 4 and 5.

We are satisfied that these issues have no impact on our opinion on the financial statements but are brought to your attention for completeness.

Notwithstanding that these matters do not impact on our opinion, they come into the category 'unadjusted misstatements' and so we will ask management for specific representations on their treatment in the financial statements. These representations are highlighted in italics in paragraph 10 on page 8.

We also bring to your attention the result of a further review of our arrangements for ensuring our professional independence. See page 6.

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted misstatements- uncertainties

Misstatements also include uncertainties. Management has identified the following uncertainty for which the accounts have not been amended on the grounds that the uncertainty is not material. We have reviewed management's calculations and considerations and report the matter here for completeness.

Detail	Potential misstatement £000s	Auditors comment
1 The Council re-values a proportion of its property and buildings each year, with 20% being re-valued each year under a rolling programme. Management has considered the risk that those assets not revalued are misstated by a material degree. Management has reviewed these assets against the changes in value experienced during this year's revaluation exercise and extrapolated the possible degree of misstatement.	8,835	<p>The Council has considered:</p> <ul style="list-style-type: none">• the degree of movement that has been experienced during this year's valuation exercise• the time elapsed since the individual assets were last valued, and• the capital expenditure on assets since the last valuation. <p>Management has concluded that this degree of change is immaterial, it has not formally revalued these assets and has not adjusted the financial statements.</p> <p>We have reviewed management's evidence and considerations. The resulting extrapolation is below the level of materiality we established for our opinion on the financial statements and we have concluded that this does not represent a material uncertainty.</p>

Other Matters - Qualitative aspects of financial reporting

The following matters relate to aspects of the Council's financial reporting that are not in full compliance with the technical requirements of the Code but which the Council has concluded are not likely to impair a readers understanding of the financial statements as a whole or the judgements they would reach.

Item	Detail	Auditor Comment
1	Performance obligations under IFRS 15 The Council has disclosed that revenue from sales, fees, charges and rent due from customers are accounted for as income at the date the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.	Sections 2.7.4.11 to 2.7.4.17 detail the disclosures required on the nature of performance obligations, allocation of transaction price to performance obligations, practical expedients adopted in applying the standard and determining the timing of satisfaction of performance obligations. The Council has not included such disclosures. The Council has determined that the requirements of IFRS 15 are materially the same as its previous accounting practise
2	Measurement of prior year financial instruments under IAS39 The Council has disclosed that prior year comparatives for IFRS 9 have not been re-stated as required by the Code.	The Council has not explicitly stated that the comparative figures have been classified and measured in accordance with the requirements of IAS 39.
3	Transitional disclosures under IFRS 9 The Council has disclosed the change in classification of long term financial assets.	Section 7.4 of the Code includes a suite of disclosures relating to the treatment of financial instruments on transition to the new standard. The Council has not provided the full suite of disclosures required. The change of classification of long term financial assets leads to a change in the measurement basis and this has been disclosed by the Council. All other financial assets have also changed classification under the new standard but this change in classification has not resulted in a change in measurement method.
4	Material estimation uncertainty The Council has disclosed that there is a risk of material estimation uncertainty relating to the fair value of loans from PWLB.	IAS 1 paragraph 125 requires disclosure where there is a risk of material estimation uncertainty in the carrying value of items in the financial statements. The PWLB loans are carried at amortised cost and their fair value is disclosed for information. There is no requirement to disclose estimation uncertainty in relation to disclosure only matters.

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 Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Since issuing our Audit Findings Report we have reviewed our compliance arrangements and concluded that one matter should be disclosed.

Issue	Threats identified	Safeguards
A junior member of the audit team acts as a Governor at a school in Ellesmere port. Unfortunately this is contrary to the PSAA Terms of Appointment, which states that members of the local audit team should not serve as a governor of any school funded from the authority's budget. We acknowledge that, whilst we were aware of the junior member's governance role, we did not appreciate until after the audit had started that this was a breach of PSAA standards.	Potentially this represents threats in respect of both confidentiality and self interest.	We have ensured that the individual concerned has not had any direct responsibility for auditing schools balances. All work undertaken by the individual has been reviewed by the Audit Manager and the Engagement Lead. We can confirm that the individual concerned will have no further involvement in the audit. We are therefore satisfied that there is no threat to our audit independence. We seek your confirmation of this as those charged with governance.

Management Letter of Representation

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

[Date]

Dear Sirs

Cheshire West and Chester Council **Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of Cheshire West and Chester Council and its subsidiary undertakings, Cheshire Provider Services Trading Limited and Cheshire West and Chester Leisure CIC, for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

1. We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/19 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.
2. We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
3. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
7. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

Management Letter of Representation

8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
9. All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
10. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions. **We have considered the unadjusted misstatements set out in the schedule attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.**
11. The financial statements are free of material misstatements, including omissions
 - a. The group and parent Council financial statements are free of material misstatements, including omissions.
12. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
13. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
14. We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.
15. We are satisfied as at the reporting date the HQ building in Chester is only held for income generation or capital appreciation. All use of the HQ building facilities by the Council is at an arms-length basis and on full market terms.

Information Provided

16. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
17. We have communicated to you all deficiencies in internal control of which management is aware.
18. All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
19. We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
20. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the group and parent Council financial statements.
21. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.
22. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Management Letter of Representation

- 23. We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.
- 24. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

Annual Governance Statement

- 25. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- 26. The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 23 July 2019.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council



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