



Bòrd na Gàidhlig

Final report to the Audit and Risk Management Committee
and the Auditor General for Scotland on the 2016/17 audit

30 August 2017

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Director 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 Audit and Risk Management Committee for the 2017 audit.

As detailed in our plan presented to the Audit and Risk Management Committee in February 2017, the new Code of Audit Practice, which came into force for the 2016/17 audits sets out our responsibilities under core audit and wider scope requirements. A reminder of the requirements is set out below.

- *Opinion on the financial statements and regularity*
- *National performance audits and Best Value audits*



- *Opinion on management commentaries, remuneration reports and governance statements*

- *Public reporting and audit findings*
- *Wider scope reporting*

As set out in our plan, due to the relative size and scale of the functions delivered by Bòrd na Gàidhlig, 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 Bòrd and the services that it delivers over the medium to longer term.

Director introduction (continued)

The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

Statutory audit

Conclusions from our testing

- The significant risks, as identified in our audit plan, related to:
 - Compliance with expenditure resource limits; and
 - Management override of controls.
- A summary of our work on the significant risks is provided in the dashboard on page 9.
- No adjustments have been raised by Deloitte as a result of testing performed.
- Based on the current status of our audit work, we envisage issuing an unmodified audit opinion.

Insight

- Insights are areas which do not impact on our audit opinion, but instead highlight issues for management consideration based on best practice seen in similar sized organisations.
- We have performed data analytics on the journal entries posted in the year. Output from this as well as our planning and substantive procedures performed have led to various insights in relation to risk registers, the lack of a formal written agreement with the payroll service provider, timing of expenditure and journal entry descriptions. These have been noted for consideration of Management and the Audit and Risk Management Committee on pages 12 and 13.

Status of the audit

- The audit is substantially complete subject to the completion of the following principal matters:
 - Receipt of signed management representation letter; and
 - Our review of events since 31 March 2017.

Director introduction (continued)

The key messages in this report (continued)

Best Practice

Overall conclusion

- We have reviewed the annual report with reference to the format and content set out in the Government Financial Reporting Manual (FRM), confirming that the Annual Report and Accounts comprise a Performance Report, an Accountability Report (which includes the Remuneration and Staff Report, the Governance Statement and the Parliamentary Accountability Report) and the Financial Statements.
- As a new requirement in 2016/17, we are required to provide an opinion on whether:
 - the performance report has been prepared in accordance with the accounts direction
 - the information given in the governance statement is consistent with the financial statements; and
 - the governance statement has been prepared in accordance with the accounts direction.
- Based on the current status of our audit work, we envisage issuing unmodified opinions on the above. While at the time of issuing this report for the Audit Committee we have still to see the draft Chairman's report and Chief Executive's report, which form part of the performance report, we understand that these will include a statement of their perspective on the performance of the Bòrd during the year and the key issues and risks that affects the Bòrd in delivering its objectives, as required by the FRM.
- In addition to the opinion, we have read the performance report and accountability report (including the governance statement) and confirmed that the information contained within both is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.
- We have also audited the auditable parts of the remuneration and staff report and confirmed that it has been prepared in accordance with the accounts direction.

Director introduction (continued)

The key messages in this report (continued)

Adds Value

Governance Statement

The FReM requires a governance statement to be published with the financial statements and guidance on content is provided in the governance statement section of the Scottish Public Finance Manual (SPFM) which sets out the essential features. We have confirmed that the Bòrd's governance statement is in compliance with this guidance and is consistent with our knowledge gained during the audit. We are not aware of any significant events between 31 March 2017 and the date of authorisation which have not been included in the governance statement.

Financial Sustainability

Total outturn for 2016/17 was £5,359k – this was £5k over approved grant in aid of £5,354k in the year however the deficit was covered by carried forward cash reserves, which is in line with Scottish Government agreement.

Effective short- to medium-term budgeting is in place to assess ongoing risk of under/overspend. The use of budgets to assess these risks in the short-term in particular has improved notably from the previous year. Long-term budgeting is not a particular area of focus due to short-term budgetary challenges faced plus inherent uncertainty in long-term funding available to the Bòrd. This is common amongst other central government bodies.

The greatest risk currently facing the Bòrd is the potential for running costs to exceed the mandated cap of £1,609k. The budget for 2017/18 shows running costs meeting the cap exactly, with the total increasing beyond the cap in future years. Running costs in 2016/17 were £1,540k and management has acknowledged that efficiencies need to be made to meet the cap next year. To achieve this the focus is on cutting staff costs by amalgamating staff positions where possible, especially given current vacancies, and to outsource where possible. Deloitte has concluded that required efficiency targets appear reasonable in the short-term but that in the medium- to long-term much more difficult decisions will be required if the cap remains static.

Additional spending by the Bòrd on grant schemes and project funding is much more discretionary and therefore the risk of significant overspend in relation to total approved funding is relatively remote, however this could have a negative impact on meeting its stated outcomes.

Pat Kenny
Audit Director

Responsibilities of the Audit and Risk Management Committee

Helping you fulfil your responsibilities

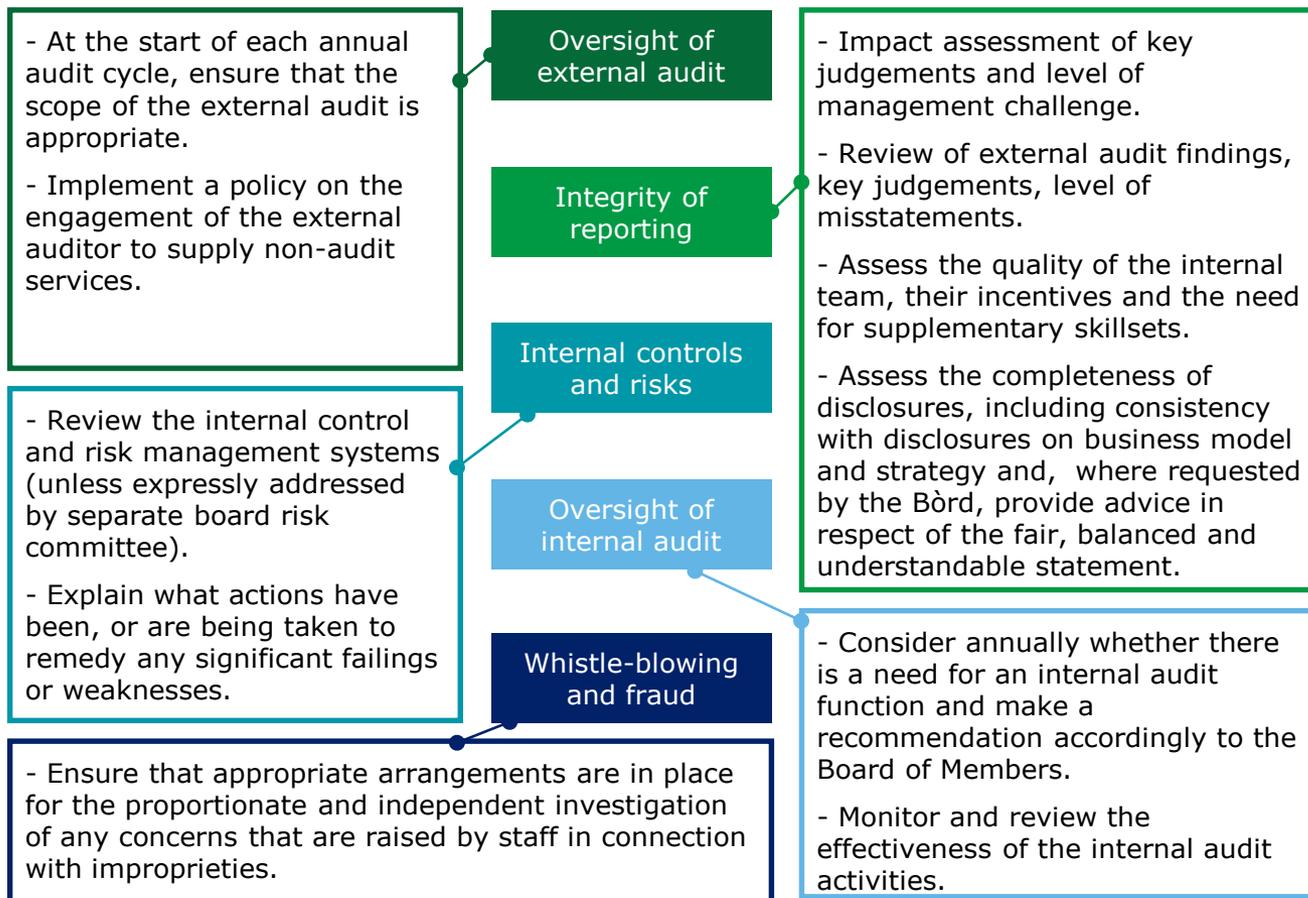
The primary purpose of the Auditor's interaction with the Audit and Risk Management Committee:

- Clearly communicate the scope of the financial statements audit
- Provide observations arising from the audit that are significant and relevant to the Audit and Risk Management Committee's responsibility to oversee the financial reporting process
- In addition, we seek to provide the Audit and Risk Management Committee with additional information to help them fulfil their broader responsibilities

We use this symbol throughout this document to highlight areas of our audit where the Audit and Risk Management Committee need to focus their attentions.



As a result of regulatory change in recent years, the role of the Audit and Risk Management Committee has significantly expanded. We set out here a summary of the core areas of Audit and Risk Management Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit and Risk Management Committee in fulfilling its remit.



Our audit explained

Area dimensions

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

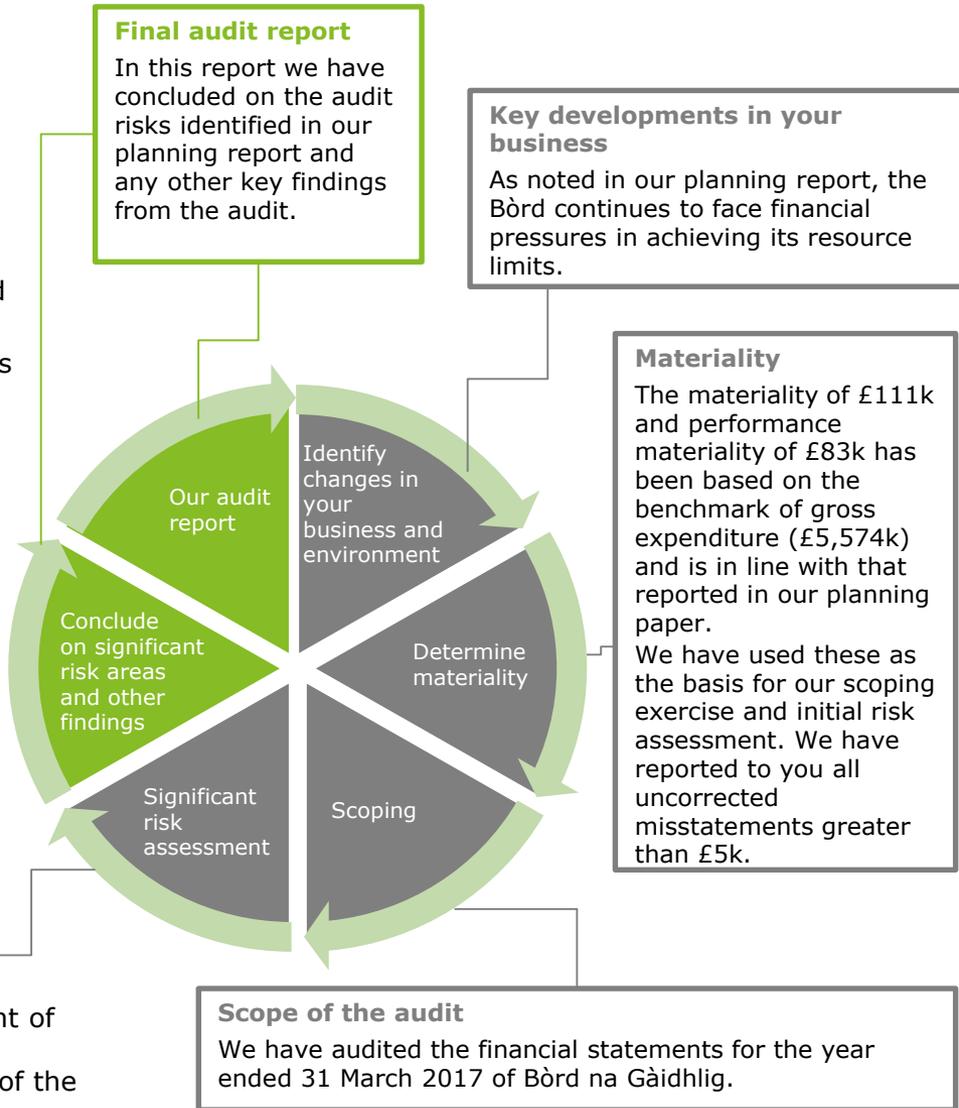
- The appropriateness of the disclosures in the governance statement; and
- The financial sustainability of the Bòrd and the services that it delivers over the medium to long term.

Significant risks

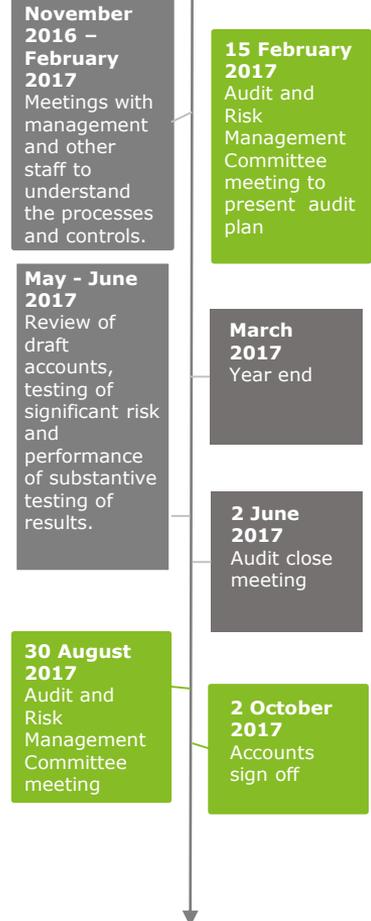
Our risk assessment process is a continuous cycle throughout the year. Page 9 provides a summary of our risk assessment of your significant risks.

Quality and Independence

We confirm we are independent of Bòrd na Gàidhlig. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.



Timeline 2017



Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Slide no.
Core expenditure resource limits			D+I	Satisfactory		Expenditure in 2016/17 was within budget (when including cash reserves held)	10
Management override of controls			D+I	Satisfactory		Controls in place are appropriate	11



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)

Core expenditure resource limits

Risk identified

The key financial duty for the Bòrd is to comply with the DEL (Departmental Expenditure Limit) allocated by the Scottish Government to cover cash expenditure and non-cash costs such as depreciation and amortisation. Given the pressures across the whole of the public sector, there is an inherent risk associated with the accuracy and completeness of recording of expenditure within this limit, therefore expenditure and accruals posted at the year-end was a key focus of our audit.



Key judgements and our challenge of them

We must provide an opinion on regularity, to the effect that expenditure and receipts were incurred or applied in line with guidance. We have evaluated the results of our audit testing in the context of the achievement of the targets set by the Scottish Government.



Deloitte response

- We evaluated the design and implementation of the controls around monthly monitoring of financial performance and journal entry postings;
- We reviewed the projected run rate of expenditure throughout the year to identify the risk of over- or under-accrual at year-end;
- We assessed whether expenditure was correctly classified between revenue and capital and whether it has been incurred in accordance with Scottish Government's guidance;
- We performed focused cut-off testing of expenditure;
- We reviewed and challenged the assumptions made in estimating key accruals to assess completeness of recorded expenditure; and
- We obtained independent confirmation of the resource limits allocated to the Bòrd by the Scottish Government.

Deloitte view

- We have concluded through the performance of our year end procedures that the expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers and the expenditure is valid and correctly classified between revenue and capital.
- We confirm that the Bòrd has performed within limits approved by the Scottish Government and is therefore in compliance with financial targets in the year.



Significant risks (continued)

Management override of controls

Risk identified

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

Deloitte response

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

- the Bòrd's results have been regularly reported to management throughout the year which had consistently projected the Bòrd operating within its cash allocation.
- 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.

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 have used data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis covered every journal posted in the year.

We are satisfied that the segregation of duties in place is sufficient for the size of the organisation and finance team.

Accounting estimates

In addition to our work on key accrual estimates noted on page 10, our retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements have found no issues.

Significant transactions

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

Deloitte view

- We have not identified any significant bias in the key judgements made by management.
- The control environment is appropriate for the size and complexity of the Bòrd.

Other significant findings

Insights delivered (1/2)

We present a summary of our observations below.

Observation

Expenditure spread in the year

- Expenditure has historically been heavily back-loaded in the year, as was the case this year – indicated by £1.3m of spend in the last month of 2016/17 and £143k of spend in the first month of 2017/18. This leads to a greater chance of under/overspend in the year which could potentially impact on the Bòrd achieving value for money with its available resources. It also leads to a significant increase in administrative work at a time of year when workload is already heavy, resulting in greater risk of error.
- We recommend that efforts are made to plan and incur expenditure more evenly throughout the year, matching monthly expenditure more closely to short-term budgets. We note that action has already been taken in response to this as part of the 2017/18 budget monitoring.

Detail within the risk register

- Deloitte noted that in comparison to other similar bodies, the risk register of the Bòrd was lacking in detail. This can lead to risks, and compensatory controls, not being identified or prioritized appropriately and the Bòrd not being in a position to react to any issues accordingly. Lack of detail includes the omission of the risk that the £1,609k cap on running costs could be exceeded – one of the most significant risks currently facing the Bòrd.
 - The current risk register details a risk score based on impact and likelihood. As an enhancement to the current process, we would recommend that this be expanded to have a residual risk score after applying the current controls, and also a target risk, or risk appetite, for each.
 - Also, as a significant risk facing the Bòrd, the risk of exceeding the running cost cap along with short- and long-term solutions should be identified.
-



Other significant findings (continued)

Insights delivered (2/2)

We present a summary of our observations below.

Observation

Verbal agreements / unsigned contract

- There was an instance found whereby the Bòrd had a verbal agreement in place with a payroll services provider to extend a previously expired contract. Whilst there was an option within the contract to extend this and this has not caused any operational issues to date, a verbal agreement such as this which does not have any signed documentation or even email evidence to support it can leave the Bòrd exposed to potential delivery and performance issues and disputes with the provider. This has subsequently been addressed with an e-mail confirmation of extension to contract now in place.
- We recommend that all agreements such as this have signed documentation to support or at least email correspondence confirming service agreement and how performance and delivery is monitored.

Journal posting descriptions

- It was found that 271 of journal line entries posted in the year did not have any journal description attached. Journal entries being posted without descriptions can lead to incorrect or inappropriate journals being posted and not identified due to a lack of detail. It is also one of the key indicators we use to highlight potential fraud risk.
 - Whilst there were no issues of fraud or otherwise found in relation to the journals involved and our testing confirmed numbered journals with appropriate back up, we have recommended that in future all journals should be given descriptions and any that do not have descriptions should be rejected by the reviewer before posting. We understand that this has now been implemented for 2017/18.
-



Other matters

Defined benefits pension scheme

Background

The Bòrd participates in the Highland Council Local Government Pension Scheme.

The net pension liability has increased from £727,000 in 2015/16 to £1,479k in 2016/17 as a result in a drop in the nominal discount rate.

	Bòrd	Benchmark	Comments
Discount rate	2.6%	2.55%	Reasonable
RPI Inflation rate	3.4%	3.2%	Relatively prudent
CPI Inflation rate	2.4%	2.2%	Prudent
Pension increase	2.4%	2.2%	Prudent
Current mortality	VitaCurves	Employer specific	Reasonable
Mortality – future improvements (CMI – Continuous Mortality Investigation)	CMI12 with a 1.25% p.a. long-term trend	CMI15 with a 1.25% p.a. long-term trend	Reasonable
Cash commutations	50% (75%) of max. allowed pre (post) 6 April 2009 service	Employer specific	Reasonable



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;
- we assessed the reasonableness of the Bòrd's share of the total assets of the scheme with the Draft Pension Fund financial statements;
- we reviewed the disclosures within the accounts against the FReM;
- we assessed the independence and expertise of the actuary supporting the basis of reliance upon their work; and
- we liaised with our in-house actuary regarding their assessment of the key assumptions.

Deloitte view

We have reviewed the assumptions and, on the whole, the set of assumptions is prudent 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.

Your annual report

We welcome this opportunity to set out for the Audit and Risk Management Committee our observations on the annual report. We are required to provide an opinion on the performance report, the annual governance statement and the remuneration and staff report.

	Management response	Deloitte response
The Performance Report	This reports the Bòrd's performance, both financial and non-financial. It outlines its vision, purpose and what it has achieved against its outcomes.	<p>We have assessed whether the performance report has been prepared in accordance with the accounts direction. While at the time of submitting this report to the Audit Committee, we have still to see the draft Chairman's report and Chief Executive's report, which form part of the performance report, we understand that these will include a statement of their perspective on the performance of the Bòrd during the year and the key issues and risks that affects the Bòrd in delivering its objectives, as required by the FReM. This delay is due to a member of staff leaving during May 2017. Going forward, we recommend that the full annual report is available in draft at the time of our audit visit, with someone within the Bòrd taking overall responsibility for ensuring all requirements of the FReM are met.</p> <p>We have also read the performance report 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>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the governance statement is consistent with the financial statements and has been prepared in accordance with the Acts and the accounts direction. No exceptions noted. Our more detailed consideration of the governance statement is provided on page 16 of this report.</p> <p>We have also read the accountability report 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> <p>We have also audited the auditable parts of the remuneration and staff report and confirmed that it has been prepared in accordance with the accounts direction.</p>
Going Concern	Management has made appropriate disclosure relating to Going Concern matters.	We have confirmed that 2017/18 funding was approved by the Scottish Government on 21 March 2017. We have concluded that the plan for the year is sufficiently robust to demonstrate that the Bòrd will be a Going Concern for 12 months from signing the accounts.

Wider scope requirements

Governance statement disclosures

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 SPFM.
- Inconsistencies between the disclosures or between the disclosures and audit knowledge.

Deloitte response



In the year, there were a number of changes in both the Board members and the Senior Leadership Team, in particular:

- 5 new Board members were appointed on 1 March 2016 to replace retiring members;
- Shona MacLennan took over as Chief Executive from 6 June 2016
- New positions were filled during the year for the Director of Education, Head of Corporate Services and Head of Finance.

The above key changes have been appropriately disclosed within the governance statement.

Deloitte view

The governance statement meets the requirements of the Scottish Public Finance Manual and no inconsistencies have been noted between the disclosures and our knowledge gained during the audit.

Wider scope requirements

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

Deloitte response



We have monitored the Bòrd's actions in respect of its short, medium and longer term financial plans to assess whether financial balance can be achieved.

Deloitte view

Short-term planning is much improved from the previous year and now involves the production of reports which reflect year-to-date spend amounts compared to the pro-rata budget with variances identified to be discussed with budget holders. The budget for the following financial year is approved and funding has been allocated by the Scottish Government.

Long-term financial plans in place are very high level due to inherent uncertainty in long-term future funding available and the short-term financial challenges faced. This is a common scenario amongst other central government bodies which are similar in size and structure.

Short-term

Approved funding budget of £5,154k has been obtained from the Scottish Government for 2017/18 which is £26k (3.2%) higher than the 2016/17 approved budget. Deloitte is satisfied that the overall budget spend is unlikely to be exceeded in the year however the greater concern is with regards to the running costs cap of £1,609k being exceeded – management has already acknowledged that efficiencies need to be made in the year to meet this cap and various options to reduce costs are being considered.

Medium-term

The 2014-2017 Corporate Plan is coming towards an end however management maintains 3-year rolling annual budgets which currently run until 2019/20. As with other similar bodies, however, inherent difficulty comes from the uncertainty around future funding beyond the next financial year, and as such medium-term budgets can move significantly as a result of efficiencies that need to be made each year.

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 Audit and Risk Management Committee and the Board 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 Bòrd.

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.

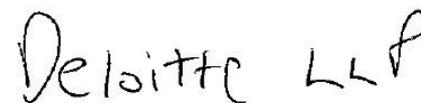
We welcome the opportunity to discuss our report with you and receive your feedback.

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 to you on 15 February 2017.

This report has been prepared for the Audit and Risk Management Committee and Board, 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.



Deloitte LLP

Glasgow

14 August 2017

Appendices



Audit adjustments

Corrected misstatements

- No corrected misstatements have been identified from our audit work performed.

Uncorrected misstatements

- No uncorrected misstatements have been identified from our audit work performed.

Disclosure misstatements

- Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. We have noted no material disclosure deficiencies in the course of our audit work.

A verbal update will be provided to the Audit and Risk Management Committee if anything arises from any outstanding work before financial statements are signed.

Action plan

Recommendations for improvement (1/2)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Expenditure Spread	We recommend that efforts are made to plan and incur expenditure more carefully throughout the year, matching monthly expenditure more closely to short-term budgets.	This has already been addressed to a significant degree in the current year as monthly actual vs budget spend is managed more closely than in the past. Will continue to improve going forward.	Graham Nisbet (Head of Finance)	Ongoing	Medium Priority
Risk Register detail	<p>The current risk register details a risk score based on impact and likelihood. As an enhancement to the current process, we would recommend that this be expanded to have a residual risk score after applying the current controls, and also a target risk, or risk appetite, for each.</p> <p>Also, as a significant risk facing the Bòrd, the risk of exceeding the running cost cap along with short- and long-term solutions should be identified.</p>	Noted. The risk register format will be reviewed later in the year as part of the review of the strategic risks associated with the new National Gaelic Language Plan.	Alasdair MacKinnon (Head of Corporate Services)	March 2018	Medium Priority

Key:



Action plan

Recommendations for improvement (2/2)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Journal posting descriptions	Whilst there were no issues of fraud or otherwise found in relation to the journals involved, we have recommended that in future all journals should be given descriptions and any that do not have descriptions should be rejected by the reviewer before posting.	This has been acknowledged and going forward journals will have full descriptions included prior to review and approval.	Graham Nisbet (Head of Finance)	Ongoing	Medium Priority
Unsigned contract	We recommend that all agreements such as this have signed documentation to support or at least email correspondence confirming service agreement and how performance and delivery is monitored.	The Bòrd has acknowledged this is an improvement point going forward albeit a relatively minor one given there was only one instance of the issue. The documentation has subsequently been put in place.	Graham Nisbet (Head of Finance)	Complete	Medium Priority

Key:



High Priority



Medium Priority



Low Priority

Action plan

Recommendations for improvement (2/2)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Annual Report	Going forward, we recommend that the full annual report including the Chairman's report and the CEO report is available in draft at the time of our audit visit, with someone within the Bòrd taking overall responsibility for ensuring all requirements of the FReM are met.	Agreed.	Graham Nisbet (Head of Finance)	30 May 2018	

Key:



High Priority



Medium Priority



Low Priority

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 Bòrd 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.

We have also asked the Bòrd 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 expenditure resource limits and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management 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 Audit and Risk Management Committee on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

We have identified no causes for concern from the work noted above and from our audit procedures performed.



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

The audit fee for 2016/17 is £12,914. No non-audit services fees have been charged by Deloitte in the period.

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

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.

We are not aware of any relationships which are required to be disclosed.



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