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21 February 2019

Dear Andrew

Plymouth City Council
Financial Statements for the year end 31 March 2019

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. We are also required to make inquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements.

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the attached schedule. In completing this task, you may wish to take into account the views of other directors where you think appropriate. The schedule relates to operational issues as well as the financial statements.

In addition to our request to management, we will also need to contact the Chair of the Audit and Governance Committee, your Internal Auditors and the monitoring officer. For ease of responding, the question to the Chair of the Audit and Governance Committee is at the foot of the questions to management.

In preparing your responses, it would assist me greatly if you could include a summary of evidence that you have relied on to inform your responses, and the sources of assurance that you have that the relevant management controls have operated effectively through the financial year to date and will operate up to the date the accounts are approved.

It would be useful to coordinate both the Chair of the Audit and Governance Committee and management responses and for a response to be provided by 30 April 2019.

OFFICIAL

Please contact David Bray if you wish to discuss anything in relation to this request

Yours sincerely,

A handwritten signature in cursive script, appearing to read "G. Daly".

Geraldine Daly
Associate Director
Grant Thornton UK LLP

Questions to management – Plymouth City Council

| Auditor question | Response |
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| Fraud | |
| Please provide your assessment of how your financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments. | We do not have any significant concerns that the financial statements may be materially misstated due to fraud. The overall control environment is considered to be sufficiently sound to manage this risk. |
| What are your processes for identifying and responding to the risks of fraud? Have you identified any specific risks of fraud and/ or areas where the risks of fraud likely to exist? | <p>Plymouth City Council has retained the services of the Devon Audit Partnership (DAP) and specifically it's Counter Fraud Services Team (CFT). The team consists of a Team Manager (Accredited Counter Fraud Specialist) 4 investigators (Accredited Counter Fraud Specialists) 1 Compliance Officer (Accredited Counter Fraud Technician) 1 Intelligence Officer (Accredited Counter Fraud Technician). This team deal with referrals from both internal and external sources; all referrals are risk scored before being allocated to an investigator or downgraded to the Compliance Officer for action.</p> <p>The Anti-Fraud, Bribery and Corruption Policy and the accompanying Strategy and Response Plan outline PCC's processes and responses. These have been recently updated and adopted along with the Whistleblowing Policy.</p> <p>If a specific control weakness is identified corrective action is recommended, if more systemic issues were identified the matter would be referred to the Internal Audit Team who would undertake a full review of the system.</p> <p>PCC utilises the Cabinet Offices National Fraud Initiative (NFI) to identify and correct its data in order to ensure that the risk of fraud is minimised.</p> <p>The risk of Fraud is included on the Strategic Risk Register and the Counter Fraud Services Manager attends the quarterly risk management meetings.</p> |
| How do you communicate with those charged with governance regarding your processes for identifying and responding to the risks of fraud? | <ul style="list-style-type: none"> • Annual Report to Audit and Governance Committee • 6 Monthly report to Audit and Governance Committee. • Updates through internal intranet system of fraud cases taken through the courts. • Up to date Anti-Fraud Bribery and Corruption Policy • Up to date Anti-Fraud, Bribery and Corruption Strategy and Response Plan • Up to date Whistleblowing Policy |

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| | <ul style="list-style-type: none"> • Up to date 'Code of Conduct' document outlining expectations for staff, management and members • Access to eLearning package on Counter Fraud and Corruption (mandatory for all new starters), also available to Members • Information and publications made available for Members so that they are aware of emerging threats. |
| <p>How do you communicate with your employee regarding business practices and ethical behaviour?</p> | <ul style="list-style-type: none"> • Updates through internal intranet system of cases taken through the courts. • Up to date Anti-Fraud Bribery and Corruption Policy • Up to date Anti-Fraud, Bribery and Corruption Strategy and Response Plan • Up to date Whistleblowing Policy • Up to date 'Code of Conduct' document outlining expectations for staff, management and members • Access to eLearning package on Counter Fraud and Corruption (mandatory for all new starters) • Information and publications made available for Members so that they are aware of emerging threats. |
| <p>Do you have knowledge of any actual, suspected or alleged fraud affecting the entity?</p> | <p>All instances of actual fraud as well as those that are alleged or suspected are passed to DAP's CFT for investigation. Where guilt is established, the CFT will prosecute or apply sanctions, as appropriate. DAP maintain a record of all referrals and the outcome of those investigations. We are not aware of any matters which would have a material effect on the financial statements.</p> <p>Actual frauds have been detected and sanctioned in the following areas of business.</p> <ul style="list-style-type: none"> • Council Tax Single Person Discount, • Blue Badge Misuse, • Council Tax Support Claims, • Concessionary Travel Pass Misuse, • Social Housing Fraud • Internal Abuse of Position <p>Reported and suspected frauds in the following areas of business, currently under investigation.</p> <ul style="list-style-type: none"> • Insurance Claim Fraud, • Employment sickness pay Fraud, • Internal Abuse of Position, • Council Tax Single Person Discount, |

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| | <ul style="list-style-type: none"> • Blue Badge Misuse • Concessionary Travel Pass Misuse • Social Housing Fraud • School Admission Fraud • Parking Permit Fraudulent applications • Procurement Payment Card Fraud |
| Related Parties | |
| Please list your related parties, highlighting any changes from the prior period | Please see the attached list of related parties which is currently under review. |
| Please provide a summary of the nature of the relationships between the entity and these related parties | |
| Has the entity entered into any transactions with these related parties during the 2018/19 period, if so, what was the type and purpose of the transaction(s)? | <p>These are currently under review for the 2018/19 Statement of Accounts.</p> <p>There are no material changes to the nature and relationship of the related parties that we are aware of in comparison to the 2017/18 Statement of Accounts.</p> |
| Going Concern | |
| Is the going concern basis of accounting a fundamental principle in the preparation of your financial statements? | The CIPFA Code of Practice on Local Authority Accounting 2018/19 requires the Statement of Accounts to be prepared on a going concern basis. This is on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. |
| Has a preliminary assessment of the entity's ability to continue as a going concern been performed? | <p>The Council has produced a Medium Term Financial Strategy (MTFS) which covers the period 2019/2020 to 2021/22. This is updated annually and is monitored closely throughout the year.</p> <p>The MTFS links the Council's vision and priorities as set out in the Corporate Plan and Plymouth Plan with a number of financial objectives:</p> <ol style="list-style-type: none"> 1. Generation of maximum possible funding towards delivering the Council's priorities 2. Prioritise capital schemes based on deliverability of tangible outcomes 3. Support the local Plymouth economy working in partnership with local businesses 4. Maximising savings from our Transformation Programme 5. Setting maximum borrowing limits and ensuring that borrowing costs are provided for |

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| <p>Have you identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern? If so, what are your plans to address them?</p> | <p>No such events are -expected?</p> <p>The Council has identified a number of events or conditions which may impact on its financial resilience.</p> <p>The Council maintains an MTFS Risk Register which is updated annually and holds details of any mitigating action as well as the likelihood and impact of the risk.</p> <p>The Council maintains and updates a quarterly Contingent Asset and Contingent Liabilities document.</p> |
| <p>What is your basis for the intended use of the going concern assumption? Do events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern?</p> | <p>Going concern is a specific accounting concept and the CIPFA Code of Practice on Local Authority Accounting requires the Statement of Accounts to be prepared on a going concern basis, so if there were any questions regarding the Councils financial resilience, this would be reported through the MTFS.</p> <p>In addition there is a legal requirement for the Council to set a balanced budget and to take steps during the year to monitor and resolve any forecast overspend.</p> |
| <p>If applicable, please document your basis for concluding that the going concern basis of accounting is not a fundamental principle in the preparation of the financial statements</p> | <p>Not applicable</p> |
| <p>Litigation and claims</p> | |
| <p>Are you aware of possible litigation and/ or =claims which may give rise to a risk of material misstatement?</p> | <p>No</p> |
| <p>Accounting estimates</p> | |
| <p>How do you identify transactions, events, and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in your financial statements?</p> | <p>The Council is a multi-service entity with wide-ranging service and strategic objectives.</p> <p>A wide range of financial transactions take place and these are scrutinised by experienced finance officers and from time to time 'expert' external advice is sought.</p> <p>Council staff subscribe to a number of bodies providing specific expert advice and also undertake annual training on the CIPFA Code changes.</p> <p>The Council monitors the potential for contingent assets and liabilities quarterly and will consider whether these events, conditions or transactions may give rise to the need for an accounting estimate to be disclosed in the financial statements.</p> |

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| Are there any changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates? | The Council is currently exploring options in relation to its pension deficit and has taken external financial and legal advice in relation to this. |
| Laws and Regulations | |
| Are you aware of any non-compliance with any laws and regulations? | No other than we have been served an Improvement Notice under the Health and Safety at Work Act and have been asked to produce evidence to demonstrate to the HSE that we are reducing exposure to vibration to As Low as Reasonably Practicable. |

Question to Those Charged with Governance – Plymouth City Council

| Auditor question | Response |
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| Do you have knowledge of any actual, suspected, or alleged fraud affecting the entity? | I do not have any knowledge of any actual, suspected, or alleged fraud affecting the entity. |