

Gloucestershire County Council

Report to the Audit & Governance Committee

External Audit Plan & Strategy for the year ending
31 March 2024

July 2024

Introduction

To the Audit & Governance Committee of Gloucestershire County Council

We were pleased to have had the opportunity to meet with you on 25 April to discuss our audit of the financial statements of Gloucestershire County Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code.

This report is an update to the audit plan presented in April and communicates the refinements to our planned audit approach as a result of our continued risk assessment procedures. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

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The engagement team

Sarah Brown is the engagement partner on the audit. She has over 20 years of industry experience.

Sarah shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Duncan Laird, senior manager and Dinesh Balaji, assistant manager with 23 years and 5 years of experience respectively.

Yours sincerely,



Sarah Brown

Partner - KPMG LLP

25 July 2024

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

Restrictions on distribution

This report is intended solely for the information of those charged with governance of Gloucestershire County Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it..

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the Gloucestershire County Council financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, lack of shareholder and stable business environment when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £16.2m / 65% of materiality driven by our expectations of increased levels of undetected or uncorrected misstatements in the period.

We will report misstatements to the Audit & Governance Committee including:

- Corrected and uncorrected audit misstatements above £1.25m.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

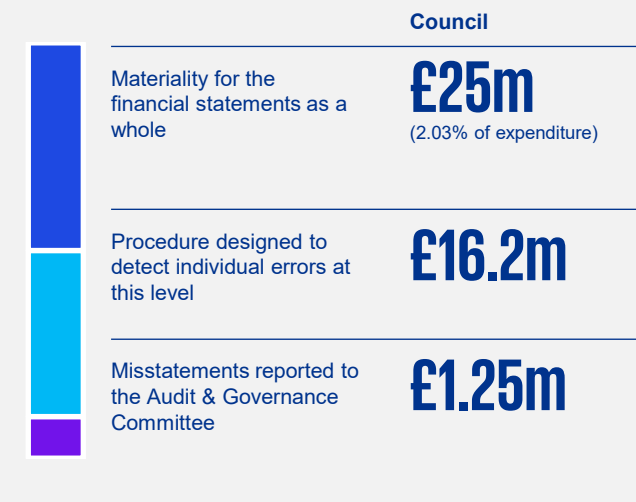
The impact of the control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.

For example, we anticipate that we will adopt a controls-based approach on cash.

File review of previous auditor

We have undertaken a review of the previous auditor's file and noted findings relevant to our risk assessment.

Council Materiality



Overview of planned scope including materiality (cont.)

Timing of our audit and communications

We will maintain communication led by the engagement partner and senior manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- Kick-off meeting with management in September 2023 to outline our audit approach and discuss management's progress in key areas;
- Meeting with outgoing auditor in February 2024 to obtain a debrief of prior year audits and initiate hand over arrangements;
- Audit progress meeting in April 2024 to discuss the audit plan with management;
- Audit & Governance Committee meeting in April 2024 where we present our audit plan;
- Status meetings with management between July and September where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in September 2024 where we discuss the auditor's report and any outstanding deliverables;
- Audit & Governance Committee meeting in September 2024 where we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings to be arranged with the Committee Chair.

Given the large amount of consultation happening in regard to the scope and timing of local government audit this audit schedule may be subject to change.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
Internal Audit	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
KPMG IT Audit	We will work closely with the IT Audit team, as part of our risk assessment, procedures over the system change and data migration.
KPMG Pensions Centre of Excellence	The pensions audit team will perform all planning, risk assessment and substantive procedures over the LGPS account balances. KPMG actuary will review and assess the underlying assumptions within the entity's year-end actuarial report.
KPMG Data & Analytics Team	We will be utilising our D&A Team to assist with the extraction of journals at year end.

Significant risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Gloucestershire County Council operates.

We also use our regular meetings with senior management to update our understanding and take input from sector audit teams and internal audit reports.

Value for Money

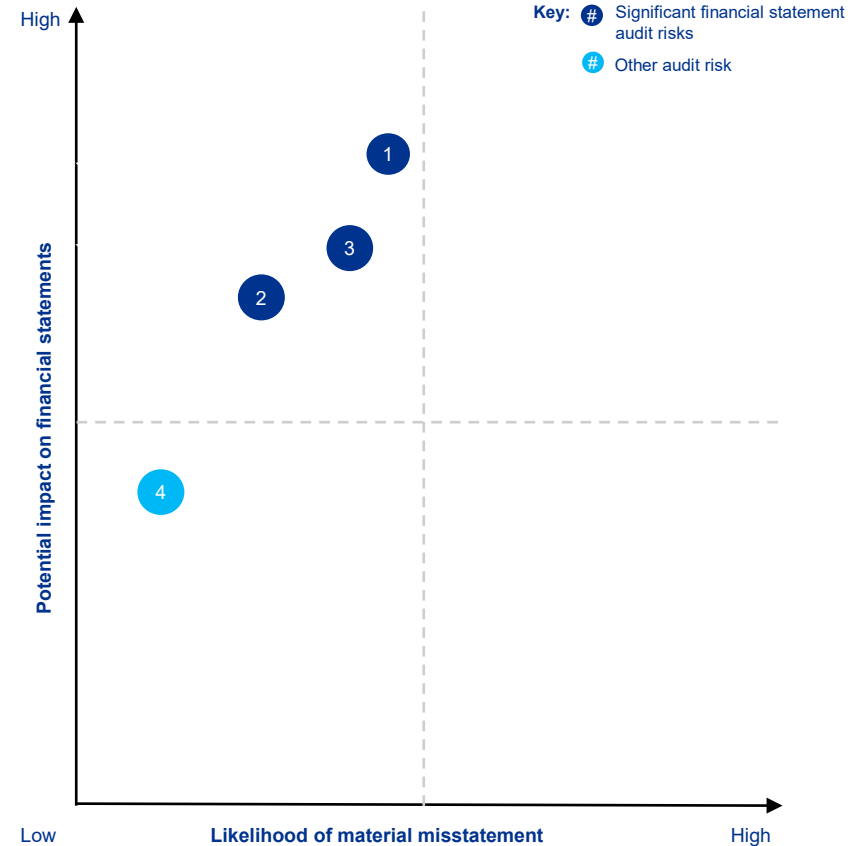
We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

Significant risks

1. Valuation of land and buildings
2. Management override of controls
3. Valuation of post retirement benefit obligations

Other audit risks

4. Non-capital expenditure is inappropriately recognised as capital expenditure



Audit risks and our audit approach (cont.)

1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Code also requires all land and buildings to be formally revalued at least every five years. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a two year rolling programme.

For those assets that are revalued in the year, the valuation involves significant judgement and estimation on behalf of the Council's valuers. We consider this to apply particularly to specialised assets, such as schools.

Valuations are carried out by a combination of the Council's internal valuers and, where necessary, external valuation experts.

Of the £1,037m Land & Building assets at 31 March 2023, £281m were formally valued during 2022/23.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the Council's valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of specialised assets, such as schools, including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement, for example Modern Equivalent Asset assumptions over school classroom sizes; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

We will also carry out the following procedures as part of our audit work:

- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.

Audit risks and our audit approach (cont.)

2 Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- As part of our planning risk assessment procedures we identified that the Council does not have enforced segregation of duty controls over the posting of journals, we will therefore not seek to place reliance on the operating effectiveness of controls when designing procedures to provide assurance over this risk.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluate the selection and application of accounting policies;
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments;
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual;
- Search for fraudulent journal entries using KPMG Automated Audit Procedures; and
- We will analyse all journals through the year using data and analytics and focus our testing on those that meet our high risk criteria.

Audit risks and our audit approach (cont.)

3

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post-retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme



Planned response

We will perform the following procedures:

- Understand the processes the Council has in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the Council to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice; and
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions.

Audit risks and our audit approach

Expenditure – rebuttal of Significant Risk

Practice Note 10 states that, as most public bodies are net spending bodies, in the public sector, auditors typically focus their consideration of the risk of fraud and error on expenditure.

Having considered the risk factors relevant to the Council and the nature of expenditure, our initial risk assessment is to rebut the presumption that the fraud risk from expenditure recognition is a significant risk. Specifically, we do not consider the financial position of the Council to be indicative of a position that would provide an incentive to materially manipulate expenditure recognition and we have not identified any other specific risk factors.

Our ongoing risk assessment procedures have not identified any contradictory evidence which would cause us to revise our assessment, therefore we have rebutted the presumed fraud risk in relation to expenditure recognition.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the Council we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below. Our ongoing risk assessment procedures have not identified any contradictory evidence which would cause us to revise our assessment, therefore we have rebutted the presumed fraud risk in relation to revenue recognition.

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from the seven district councils paid to them by local residents paid in accordance with an annual billing schedule based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the billing schedule agreed by the Council and the seven district councils. This is underpinned by the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
Business rates	Revenue received the seven district councils paid to them from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the billing schedule agreed by the Council and the seven district councils. This is underpinned by the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

Audit risks and our audit approach (cont.)

4 Non-capital expenditure is inaccurately recognised as capital expenditure

Revenue expenditure is inaccurately recognised as capital expenditure



Other audit risk

- Although we have rebutted the presumed significant risk in relation to fraudulent expenditure recognition, capital accounting requirements are complex and may contain an element of judgement in determining which costs in a project can be capitalised and which need to be expensed.
- Given the size of the Council's capital programme (£235.0m), we have identified an Other Audit Risk regarding revenue expenditure being inaccurately recognised as capital expenditure.



Planned response

We will perform the following procedures in order to respond to the risk identified:

- We will evaluate the design and implementation of controls for classifying expenditure as capital;
- We will scan the list of capital programme for schemes which indicate an increased risk that the spend may be revenue in nature; and
- We will test a sample of capital expenditure incurred by the Council to ensure it is correctly capitalised.

Other significant matters related to our audit approach

Disclosure of significant estimates and judgements

We have included here the disclosures of significant estimates and judgements from the prior year annual report.

Estimates and judgements	Balance £m	Further comments
Land & Buildings	1,035.2	The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.
Define Benefit Obligations	1,628.5	The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
Total	2,663.7	

Our use of Data and analytics

We will be integrating Data & Analytics (D&A) procedures into our planned approach for the audit of the Council:

Management override of controls surrounding journal entries

- KPMG Clara General Ledger Analysis provides insights such as the breakdown between manual and automated entries, time series analysis and stratification of journal populations by user, amount and line numbers. This provides us a better understanding of your processes, highlights inconsistencies and aids us in identifying high-risk entries requiring substantive testing.

Mandatory communications - additional reporting



Going concern

Under NAO guidance and Practice Note 10, a local authority's financial statements shall be prepared on a going concern basis. This means that the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

<p>Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily</p> 	<p>We have identified issues that we may need to report</p> 	<p>Work is completed at a later stage of our audit so we have nothing to report</p> 
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We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor’s responsibilities	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Auditor’s responsibilities – Fraud	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
Auditor’s responsibilities – Other information	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
Independence	<p>Our independence confirmation at page 25 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement director and audit staff.</p>

Gloucestershire County Council

Value for money

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

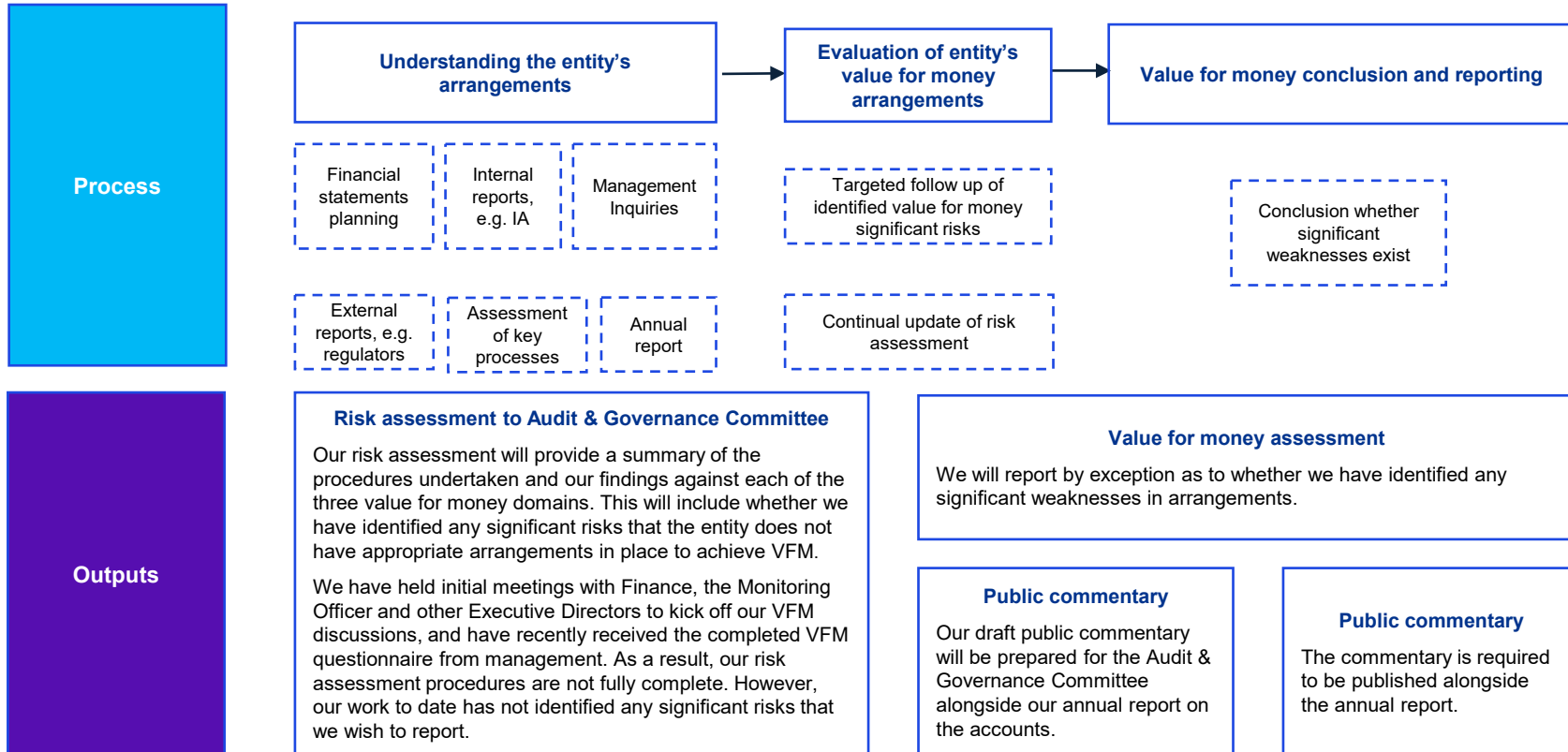
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

Approach we take to completing our work to form and report our conclusion:



Appendix

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Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit director and firm.



Sarah is the partner responsible for our audit. She will lead our audit work, attend the Audit & Governance Committee and be responsible for the opinions that we issue.



Duncan is the senior manager responsible for our audit. He will co-ordinate our audit work, attend the Audit & Governance Committee and ensure we are co-ordinated across our accounts and value for money work.



Dinesh is the in-charge responsible for our audit. He will be responsible for our on-site fieldwork. He will complete work on more complex sections of the audit.

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be Sarah's first year as your engagement lead. She is required to rotate every five years, extendable to seven with PSAA approval.

Audit cycle & timetable

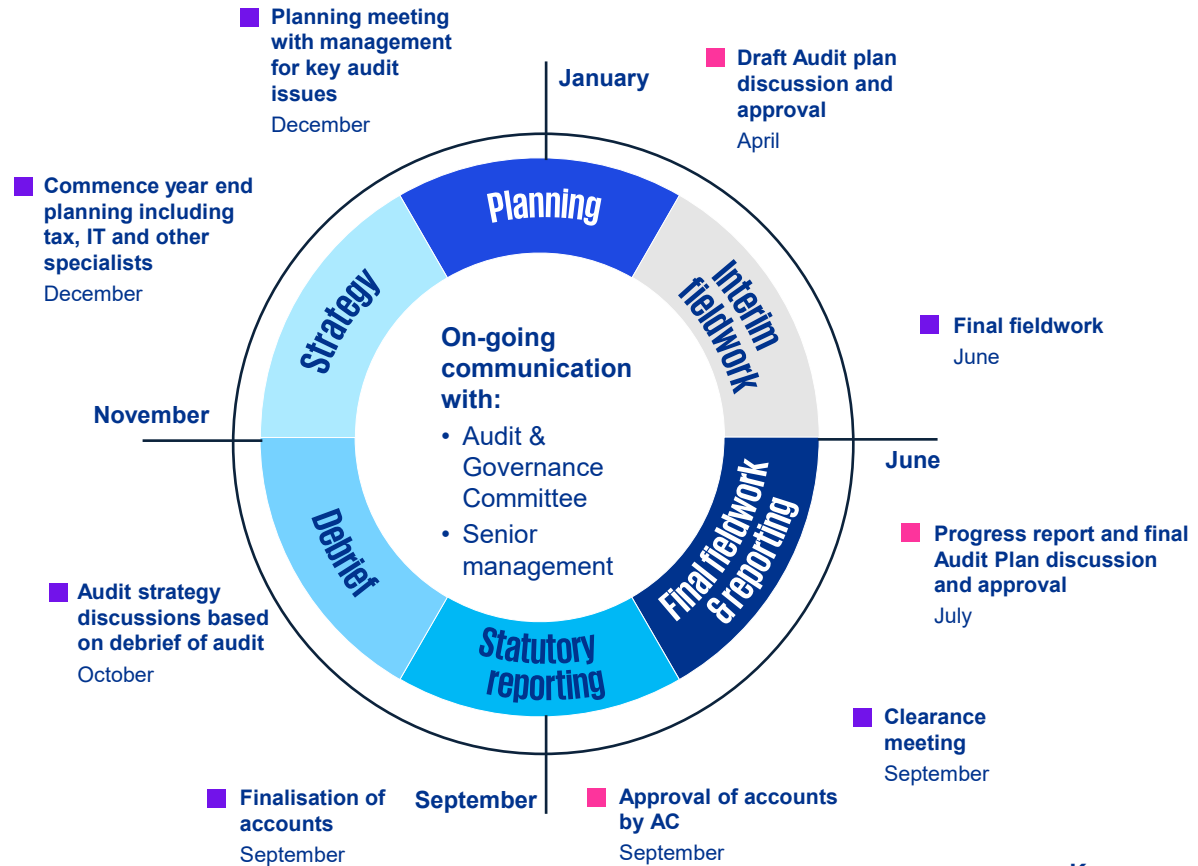
Our schedule December 2023 – December 2024

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report in September 2024.

This being the first year of KPMG as auditor we have undertaken additional activities to understand the Council at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government audit, this audit schedule may be subject to change.



Key:

- Timing of AC communications
- Key events

Audit cycle and timetable (cont.)

Audit progress

We have made good progress in our planning and risk assessment activities since being appointed as your external auditors. We have:

- Documented our understanding walkthroughs of relevant financial systems and financial controls and walked through an example transaction from start to finish to confirm our understanding is correct;
- Held meetings with key members of the finance team to understand the processes in operation at the Council for identifying and responding to risks of fraud, complying with laws and regulations, managing litigation and claims, and ensuring a complete knowledge of related parties;
- Reviewed relevant internal audit reports to inform our risk assessment;
- Discussed and agreed our year-end working paper requirements with Finance and agreed timelines for the completion of the financial statements audit;
- Met with the prior year Engagement Lead from GT for a handover discussion and reviewed the prior year GT audit file to inform our risk assessment;
- Completed a review of the key IT systems that inform the financial statements with the assistance of our specialist IT Audit team;
- Revisited and updated our risk assessment procedures in relation to the 23/24 external audit;
- Started our financial statements audit on the draft 23/24 accounts for the Council, including agreeing Council Tax and NNDR income receipts to cash received, agreeing central government grants to published grant allocations and requesting confirmations for all loan and investment balances;
- Presented our 23/24 external audit plan for the audit of the Pension Fund financial statements to the Pension Committee. We have brought that plan to the Audit and Governance Committee for visibility; and
- Held meetings with Finance, the Monitoring Officer and the Executive Director of Adult Social Care to kick off our VFM risk assessment. At the time of writing we are awaiting management's response to our VFM questionnaire and are in the process of arranging other meetings with key officers to inform our risk assessment.

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	270.5	160.8*
TOTAL	270.5	160.8

**Final fee as per 22/23 ISA260 report. Scale fee as published by PSAA was £88k.*

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud). The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- The Council's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The Council's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit & Governance Committee members

Assessment of our objectivity and independence as auditor of Gloucestershire County Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings.

Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

There are no non-audit services applicable.

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	270.5
Other Assurance Services	0
Total Fees	270.5

Application of the FRC Ethical Standard 2019

FRC Ethical Standard 2019 became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the Council and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the Council and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit & Governance Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the director and audit staff is not impaired.

This report is intended solely for the information of the Audit & Governance Committee of the Council and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



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Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

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