Grant Thornton

The Audit Findings for Redditch Borough Council

Year ended 31 March 2020

1 March 2021

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Redditch Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The financial implications have been set out in a report from the Executive Director of Resources to Executive on 4 August 2020.

Officers have had to deal with factors such as the administration of grants to businesses, closure of leisure centres and car parks, and the additional challenges of reopening services under new government guidelines, as well as facilitating hundreds of people working from home.

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.

We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 28 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 9.

Restrictions for non-essential travel has meant both Council and audit teams have had to get used to new ways of remote working, including remotely accessing financial systems, video calling, additional procedures to verify the completeness and accuracy of information produced by the Council, as well as making greater use of 'Inflo', our document management sharing system.

We had initially planned to begin our work on your draft financial statements in early August, but this was initially put back to the beginning of September as the financial statements were not ready. On 27 August Officers notified us that they would not be able to prepare and publish the financial statements for Bromsgrove District Council by 31 August as required by the amended regulations. While the Redditch Borough Council financial statements were published before 31 August, we agreed with officers to delay the start of our audit until the end of September to allow them to complete the Bromsgrove District Council financial statements and supporting working papers for both councils.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:

- give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work is substantially complete. The audit was undertaken remotely during September - February. Our findings are summarised on pages 6 to 16. To date, we have not identified any adjustments to the financial statements that have resulted in adjustments to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and we anticipate that our audit opinion will be unmodified, but will include an "Emphasis of Matter" highlighting the material uncertainty around property valuations.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.

There are no matters of which we are aware that would require modification of our audit opinion (Appendix F) or material changes to the financial statements, subject to the following outstanding matters;

- completion of our employee remuneration testing;
- completion of our debtors testing;
- completion of year end income and expenditure testing;
- final quality review of our audit file;
- receipt of management representation letter; and
- review of the final set of financial statements.

Headlines

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements in respect of the significant risk identified in our Audit Plan around financial sustainability. We have concluded that Redditch Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for in relation to financial sustainability. We also considered whether the significant challenges in relation to the financial statements audit also need to be reflected in our value for money conclusion, given one of the NAO VFM criteria relates to "Unreliable and untimely financial reporting that doesn't support the delivery of strategic priorities, such as the late submission of financial statements for audit". This was considered by an independent consistency panel who agreed with our assessment that the VFM Conclusion should not be qualified in this regard. This was principally because of the support from the Chief Executive to the Acting S.151 Officer, and of the audit process. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an 'except for' qualified value for money conclusion, as detailed in Appendix F. Our findings are summarised on pages 19 to 22.
Prior year statutory recommendation	As part of our 2018/19 audit we made a Statutory Recommendation under section 24 of the Local Audit and Accountability Act 2014. We reported "The Council needs to take urgent action to prevent both its General Fund and HRA balances being exhausted by the end of 2020/21. Failure to take effective action will put the Council at risk of breaching its statutory duty to set a balanced budget."	We report the findings from our review of the actions the Council has taken in response to the recommendation on pages 25-27. The Council has responded positively to the Statutory Recommendation, and Members have made some difficult decisions in order to move to a more balanced financial position. However, the Council still needs to save around £1.7m by 2023/24, and non earmarked general fund reserves of £1.6m as at 31 March 2020 will be insufficient to cover this. This is without knowing the full impact of Covid-19. In 2019/20 the HRA position was reasonably balanced, and at 31 March 2020 reserves were £744k. However, a number of reports to Members have set out the ongoing challenges the HRA faces, even before the impact of Covid-19, which could be around £2m. While we are satisfied that progress has been made against the Statutory Recommendation it is clear that the Council still faces significant challenges to ensure that the general fund and HRA are in a long term financially sustainable position.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to be able to certify the completion of the audit when we give our audit opinion.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit to date that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing 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 for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 30 January 2020, to reflect our response to the Covid-19 pandemic. We reported this in our audit plan addendum dated 28 April 2020. We have reported how we addressed this risk on page 9.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,330,000	1,300,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the Net Cost of Services level was deemed as the most appropriate benchmark. This benchmark was used in the prior year. Recognising the size and scale of the Council, we deemed that 2% was an appropriate rate to apply to the expenditure benchmark. We also applied this to the Group.
Performance materiality	798,000	780,000	We have set performance materiality at 60% of headline materiality. This reflects the issues experienced, and number of changes to the financial statements, in previous years.
Trivial matters	65,000	65,000	This is the level set for reporting errors or omissions to Those Charged with Governance (5% of headline materiality).
Materiality for the remuneration of individual senior managers	7,000	7,000	We have set a separate lower materiality level for the disclosure note on remuneration of individual senior managers. In view of the sensitivity of this note to the reader of the accounts, we have set a materiality level of £7k, being 2% of the earnings disclosed in the prior year remuneration note.

Key messages

Quality of working papers and responses to audit questions

In our Audit Findings Reports for the 2018/19 and 2017/18 financial years we have noted the need to improve the quality of working papers supporting the financial statements and to ensure that responses to audit questions are "Right first time". We have agreed recommendations and actions with Officers. In both years we have agreed an additional audit fee of £4,500 to reflect the significant amount of additional audit time required as a result of poor quality working papers.

In our progress report presented to the Audit, Governance & Standards Committee on 26 November 2020 we again highlighted our concerns and challenges in this area, and provided some illustrative examples. During the ensuing discussion Members recognised the issues both officers and auditors face.

A new financial ledger was introduced on 1 February 2021. Officers are confident that this will significantly enhance the quality of working papers provided. However, the reports generated will only provide analysis of what is in the ledger. This should make sample selection easier, but until the culture changes so that "Right first time" becomes a reality, the audit process will continue to be extremely challenging.

We have set out some illustrative examples below.

Creditors

The extract from the financial statements included below demonstrates that this is a simple note, analysing the amount the Council owed at 31 March 2020 into four categories. We set up an initial request for working papers supporting this note on 24 July. While this is before the financial statements were due to be approved it is good practice for working papers to be prepared alongside the financial statements to provide officers with assurance that the figures are supported by the underlying information.

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Note 21 Creditors

	Short term creditors 2019/20 £000	Short term creditors 2018/19 £000
Central government bodies	(4,486)	(1,056)
Other local authorities	(6,141)	(1,774)
Housing Rents prepaid	(613)	(497)
Other entities and individuals	(2,791)	(4,058)
Total	**(14,031)**	**(7,385)**

However, the information request was not opened until 30 September – a month after the financial statements were published. Officers began to provide information to the audit team from 5 November – a further five weeks after opening the request, and over two months after publication of the financial statements.

The audit team and officers discussed the information presented by Officers numerous times after 5 November, with the final working papers supporting the Note being presented to the audit team on 2 December – over three months after the publication of the financial statements.

Ultimately there were 16 separate documents presented to the audit team in support of this Note. Many of those were Excel spreadsheets with numerous tabs. From this information the audit team followed the Grant Thornton audit approach to select a sample of items for detailed testing.

Just eleven items were tested in detail. Of these there were questions on six, and further responses, still subject to audit testing, were not received until 5 January.

Cash received after 31 March

Auditors need to test income received in the new financial year to ensure that it has been recognised in the correct year. A large proportion of the income receipts have been processed through a suspense account before being coded to the correct account code. This means that we were unable to remove many of the items that had already been tested elsewhere (e.g. council tax, housing benefit overpayments etc) as we were unable to identify what the suspense account items related to. We therefore had to spend a lot of time understanding the process and discussing the best way to obtain an appropriate sample.

Key messages

Quality of working papers and responses to audit questions (continued)

Debtors

The audit team faced similar challenges in this area. We were not able to select a sample of items for detailed testing until 10 November. Even then, the breakdown from which the team had to work consisted of 25 separate files, many in Excel with multiple tabs.

Payroll / Employee Benefits

We have experienced very significant challenges in this area. In particular:

1) Obtaining monthly payroll reports that can be reconciled to the financial statements.
2) Obtaining "Full Time Equivalent" staff reports that correctly show starters and leavers. Different reports have variously:
   a) Shown leavers being paid after they left;
   b) Shown leavers as never having been paid in the year;
   c) Merged information from Bromsgrove DC and Redditch BC payroll;
   d) Not showing starters as having ever been paid in the year.

We have had numerous video calls with Officers, and were supplied with at least five different versions of these reports. The failure of Officers to provide us with what ought to be straightforward reports undermines audit confidence in the system and raises serious questions around the veracity of the information.

These examples demonstrate the significant amount of additional work that both auditors and officers have had to undertake in order to obtain appropriate assurance over what are actually fairly simple and straightforward parts of the financial statements.

Key messages arising from our financial statements work

Property, Plant & Equipment

- The depreciation policy disclosed in the accounts is not consistent with what is actually being applied, and needs to be updated
- Note 14 – Property, Plant and Equipment - two assets are incorrectly stated in the Fixed Asset Register and financial statements. The valuation as per the latest Valuer Report has not been used:
  - Middlehouse Lane (surplus asset) – the latest valuer report has a value of £775,000, but is recorded as £370,000 in Fixed Asset Register and financial statements. Therefore, surplus assets are understated by £405,000.
  - Oak Tree Park (non operational PPE asset) - the latest valuer report has a value of £609,000 for buildings and £261,000 for land, but is recorded as £899,474 for buildings and £0 for land in the Fixed Asset Register and financial statements. Therefore, buildings are overstated by £290,474 and land understated by £261,000.
- The Fixed Asset Register shows over £6.5m of fully depreciated Vehicles, Plant & Equipment. Management needs to consider whether these should be written out (they are no longer used) or prove they are still in existence and in use. If the latter, we would ask Management to reconsider their useful lives as, if the assets are fully depreciated but still in use, they would not appear to be appropriate.
- Officers did not engage the external valuer through a formal Letter of Engagement. This makes it impossible to ascertain whether the valuer completed all of the work requested or intended.
- Property, Plant and Equipment – assets not revalued in year - Management have not carried out procedures to establish whether material changes (positive or negative) in asset valuations have occurred between the date assets were last revalued and the reporting date. However, our own work in this area has concluded a non material variance, so we are satisfied that the assets that have not been formally revalued in year are not materially different to the current value. In future years management need to conduct their own assessment.
- Note 14 - Property, Plant and Equipment – enhanced to include the material uncertainty around asset valuations arising from Covid-19.

Key messages

Key messages arising from our financial statements work (continued)

- Collection Fund - we identified two issues:
  - the apportionment of the prior year surplus or deficit figures in respect of Business Rates have been recorded the wrong way round. They should be: Central Government - £3,869k (not £77k); Redditch Borough Council - £3,095k (not £3,869k); Worcestershire County Council - £696k (not £3,095k) and Hereford and Worcester Fire Authority - £77k (not £696k). The Total column was consequently impacted.
  - Note 1 to the Collection Fund was incorrect and did not agree to the published Council Tax setting report.
- Note 18 – Debtors - We identified a classification error between Central Government Bodies, Other Local Authorities and Other Entities and Individuals. The figure for Central Government Bodies was overstated by £403k, Other Local Authorities was understated by £240k, and Other Entities and Individuals was understated by £163k. The overall Debtors figure was unaffected.
- Note 18 – Debtors – required additional disclosure to fully comply with the Code. Officers have agreed, but will make the enhancements in 2020/21:
  - Disclosures by class of debtor for past due assets;
  - Age analysis of assets past due, but not impaired;
  - Analysis of assets individually determined to be impaired and the factors considered.
- Note 37 – Pensions – we identified 11 different areas that needed to be amended to correctly reflect the actuarial reports. None affect the assets, liabilities or amounts paid.
- Note 31 - Audit Fees – amended to only include the items required and to be clearer which year items relate to.
- Note 2 - Standards not yet adopted – the FRS 16 disclosure was not supported by the work the Council has done. We have agreed revised wording.
- Our work on the Annual Governance Statement identified a significant number of typographical errors, not referring to the CIPFA / SOLACE requirements, and saying nothing about the "Significant Governance Issues". The Statement has been significantly enhanced, and now meets the disclosure requirements and is consistent with the financial statements and our knowledge obtained in the audit.
- Our work on the Narrative Report identified a number of areas for enhancement. The amended Report now meets the disclosure requirements and is consistent with the financial statements and our knowledge obtained in the audit.
- Note 32 – Employee Remuneration – a number of minor amendments were required, the main one being the Deputy Chief Executive and Executive Director of Leisure, Environmental & Community Services' remuneration figures for 2019/20 have not been updated from the prior year.
- Note 16 - Financial Instruments:
  - The Note was enhanced so that it better complied with the Code requirements. In particular, the figures are split between financial assets and liabilities, short/long term, fair value/amortised cost and non-financial assets/liabilities.
  - We also identified that all disclosure requirements had not been met. For example, it was not clear what categories financial assets and liabilities are classed in (i.e. for assets are they amortised cost, FVPL or FVOCI).
  - The note included references to old terminology (e.g. loans and receivables) that is no longer relevant under IFRS 9.
  - There was no disclosure of the Fair Value Hierarchy for all assets and liabilities (e.g. cash and cash equivalents, Level 1) etc.
- Note 23 - Group accounts - the group pensions disclosures within this Note did not properly include the actuarial report figures. It simply included the Rubicon Leisure Limited Pension Fund deficit. The Note was substantially enhanced to include the relevant figures and disclosures.
- After reviewing the disclosures around the Non Domestic Rates (NDR) Provision and the business rate pool we agreed with officers that several Notes in the financial statements, where this is discussed, could be made clearer. Notes 3, 4, 5, 6 and 38 were enhanced.
- Note 5 – Material Items of Income and Expense – note amended in respect of the pensions disclosure to make it clearer and consistent with the financial statements.
- Note 4 – Assumptions made about the future and other major sources of estimation uncertainty – agreed to remove provision for bad debt and business rates appeals as these are not major sources of estimation uncertainty.
- Our audit identified a small number of typographical errors and instances where the prior year comparator figures had not been brough forward correctly.

Significant audit risks

Risk identified in our Audit Plan addendum	Auditor commentary
Covid– 19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; • remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation; • volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates; • financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk.	To address this risk we: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose. An example of this is the audit approach to the material valuation uncertainty disclosed by property valuers and the Emphasis of Matter paragraph included in audit opinions; • evaluated the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and • discussed with management any potential implications for our audit report if we were unable to obtain sufficient audit evidence. **Findings** As a result of the pandemic and other challenges experienced during the audit aspects of our work have been much more challenging as we were unable to meet with officers to discuss issues. Being able to do this makes discussing issues and resolving questions much easier. Our audit opinion will be provided significantly later than planned.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Redditch Borough Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Redditch Borough Council. The group financial statements do not include any additional revenue, so there is no risk relating to the group. **Findings** Our audit work has not identified any issues that have caused us to revisit our initial assessment.
Management over-ride of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	To address this risk we: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Findings** Our work in this area has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings The Authority and group revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	To address this risk we: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • wrote to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. **Findings** We noted in our Audit Plan dated 30 January 2020 that the FRC has determined that auditors need to improve the quality of audit challenge on PPE valuations across the sector. We therefore increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. This resulted in significantly more work than previous years, including review and challenge of the source data used by the valuer to prepare valuations. This work was particularly challenging as we were not able to meet in person with the valuer to go through this work. Our work in this area is now complete. However, we have encountered some very serious challenges and delays in completing our work: • We had difficulty in obtaining the previous revaluation reports. This delayed us being able to select a sample for detailed testing. • Having selected a sample for detailed testing we were unable to follow the accounting treatment, necessitating further discussions with Officers. • Officers were unable to provide us with floor areas for those properties revalued, which is a key input in the valuation calculation. This is surprising as we would expect the Council to know the floor area of buildings it owns for other purposes. These were eventually provided by the Valuer, but obtaining them took a significant amount of time. • Officers were initially unable to provide us with evidence to support the comparable properties used to value the HRA properties. After a significant number of requests and conversations this information was provided, and was satisfactory. • Officers have not engaged the external valuer through a Letter of Engagement. This makes it impossible to ascertain whether the valuer completed all of the work requested or intended. As noted on page 8, we identified two assets for which an out of date valuation had been used. The net effect of these is that surplus assets were understated by £405k and non operational assets overstated by £29k.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	To address this risk we: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and • obtained assurances from the auditor of Worcestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. **Findings** Our work in this area we identified 11 different areas that needed to be amended to correctly reflect the actuarial reports. None of these affect the assets, liabilities or amounts paid and the final financial statements have been updated.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals	In previous years the Council has been responsible for repaying successful rateable value appeals. The calculation of the provision required was based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision has been broadly consistent, being £2,070k in 2017/18 and £2,630k in 2018/19. However, as explained in Note 5 – "From 1st April 2019 the Council became part of the Worcestershire 75% Business Rate Pilot Pool rather than the Greater Birmingham and Solihull Business Rate Pool (GBSBRP). The agreement is a no detriment arrangement whereby the Council receives a share equal to the 40% it received under GBSBRP arrangements and benefit from any increase in business rate income. The Council share is received from Worcestershire County Council (WCC) rather than the Collection Fund. The 75% Pilot arrangements apply for 2019/20 only and provide that WCC receive 74% of business rate income, Hereford and Worcester Fire and Rescue (HWFR) continue to receive 1% and Central Government receive 25% rather than 50% it received under the previous arrangements. The Balance Sheet as at 31st March 2020 requires business rate activity (arrears, prepayments, appeals, surplus and provision for bad debts) other than court costs to be allocated to WCC (74%), HWFR (1%) and Central Government (25%) whereas the Balance Sheet as at 31st March 2019 included a 40% allocation to the Council." Therefore, the provision for business rate appeals has reduced from £2,630k in 2018/19 to zero in 2019/20.	This represents a significant change in the approach to recognising provisions for business rates appeals. We conducted extensive work in order to obtain adequate assurance that the new arrangements were consistent with other Worcestershire local authorities and the Business Rate Pool agreement. Officers agreed to enhance the notes in the financial statements which relate to this issue – 3, 4, 5, 6 and 38. Adding to note 5: "The significant changes to creditors and provisions in respect of the Worcestershire Business Rate Pilot Pool will only apply to 2019/20, the duration of the Pilot. In 2020/21, the Council will return to being accountable for 40% of the Business Rate Pool and holding a 40% share of business rate creditors, prepayments and appeals" Adding to notes 3, 4, 6 & 38: "The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%." We are satisfied that the amended disclosures provide clarity over the arrangements, and that the accounting for them is reasonable.	● (Green)

Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Council Housing -	The Council owns 5,685 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The year end valuation of Council Housing was £296,552k, a net increase of £16,953k from 2018/19 (£279,599k).	We have set out our findings in relation to the valuation of land and buildings on page 11. In relation to Council Houses, our work to test that properties are included in the correct beacon, and that the valuations used are appropriate given the area and reduction for the social use factor, is complete. We are satisfied that the judgements and estimates used by management in determining the value of Council Housing are appropriate for the Council.	(Green)
Land and Buildings – Other	The Authority revalues its land and buildings as a minimum on a rolling five-yearly basis with interim reviews. If the value of an asset class is projected to materially change during the period since the last valuation then further valuations are instructed. Some asset classes are currently valued annually.	We have set out our findings in relation to the valuation of other land and buildings on page 11. The work required for us to be satisfied that the judgements and estimates used by management in determining the value of other land and buildings are appropriate for the Council is still complete.	(Green)
Net pension liability	A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	We have set out our findings in relation to the net pension liability on page 12. We are satisfied that the judgements and estimates used by management in determining the pension fund asset and liability are consistent with those used by the actuary and appropriate for the Council.	(Green)

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentiallymaterially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptionswe consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability	The Council's net pension liability at 31 March 2020 is £74.1m (2018/19 £72.93m). The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	See below	(Green)

We have:

- Undertaken an assessment of management's expert
- Reviewed and assessed the actuary's roll forward approach taken
- Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.3% - 2.4%	Green
Pension increase rate	2.2%	2.1%	Yellow
Salary growth	3.6%	3-4%	Green
Life expectancy – Males currently aged 45 / 65	24.2/ 22.6	24.0 – 25.8/ 20.9 – 23.2	Green
Life expectancy – Females currently aged 45 / 65	27.0/ 25.0	25.9 – 27.7/ 22.5 – 24.7	Yellow

Salary growth – PWC conclude "When considering the CPI inflation [pension increase rate] in aggregate with the discount rate assumption, the assumptions will lead to liabilities falling within our expected ranges and hence can be considered reasonable. The CPI inflation assumption sits at or above the top, or most prudent end, of the range we would expect to see.

Female life expectancy – PWC conclude "While some of the individual components of this assumption fall outside of our expected ranges, overall the future improvements in mortality assumptions are within our expected range, albeit towards the most prudent end".

We have reviewed:

- Completeness and accuracy of the underlying information used to determine the estimate;
- Impact of any changes to valuation method;
- Reasonableness of the Council's share of LGPS pension assets;
- Reasonableness of increase/decrease in estimate; and
- Adequacy of disclosure of estimate in the financial statements.

Assessment

- (Red) We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- (Amber) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- (Yellow) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- (Green) We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – going concern

Our responsibility

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

Going concern commentary	Auditor commentary
Management's assessment process Management do not undertake a formal assessment of whether the Council is a going concern. The Council has a sound income stream through Council Tax (£6.3m) and Business Rates (£4.9m) (although this includes a one-off gain through the release on the 2017 rating list provision for appeals, the Council share being £2.8m). It has delivered a balanced budget year on year and has a realistic Medium Term Financial Plan. The Council also has usable, non earmarked reserves of £1.6m.	**Auditor commentary** This is reasonable as the Council has a realistic Medium Term Financial Plan and sufficient reserves to cover any short term unexpected need. It would be considered a going concern even if it demised and the services transferred to another body. Our Informing the Audit Risk Assessment report, presented to Audit, Governance and Standards Committee on 27 July, shows on pages 16 to 19 the arrangements in place to demonstrate that the Council is a going concern.
Work performed Our audit work, including our VFM work, has not raised any doubts around the going concern assumption. Also, in the public sector, going concern is taken to mean that the services are transferred / delivered by another body. As the Council services / functions would be delivered by any successor body, the threat of re-organisation does not apply.	**Auditor commentary** The reported position of the Council at 31 March 2020 per the draft financial statements shows that they have total current assets of £20.8m compared to £14.6m current liabilities, £1.5m of total current assets are cash and are therefore highly liquid. We have nothing to report in relation to Going Concern.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Governance & Standards Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council prior to the issuance of our audit opinion.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banks and councils with whom the Council had investments or borrowing. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements, however disclosure adjustments are disclosed in Appendix D.
Audit evidence and explanations/significant difficulties	We have reported the significant difficulties with our audit of the draft accounts and working papers on page 6.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work on the Annual Governance Statement identified a significant number of typographical errors, referring to the wrong Committee, not referring to the CIPFA / SOLACE requirements, and saying nothing about the "Significant Governance Issues". The Statement has been significantly enhanced, and now meets the disclosure requirements and is consistent with the financial statements and our knowledge obtained in the audit. Our work on the Narrative Report identified a number of areas for enhancement. The amended Report now meets the disclosure requirements and is consistent with the financial statements and our knowledge obtained in the audit.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters, however, please note the comments above.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of Redditch Borough Council in the audit report, as detailed in Appendix F.

Value for Money

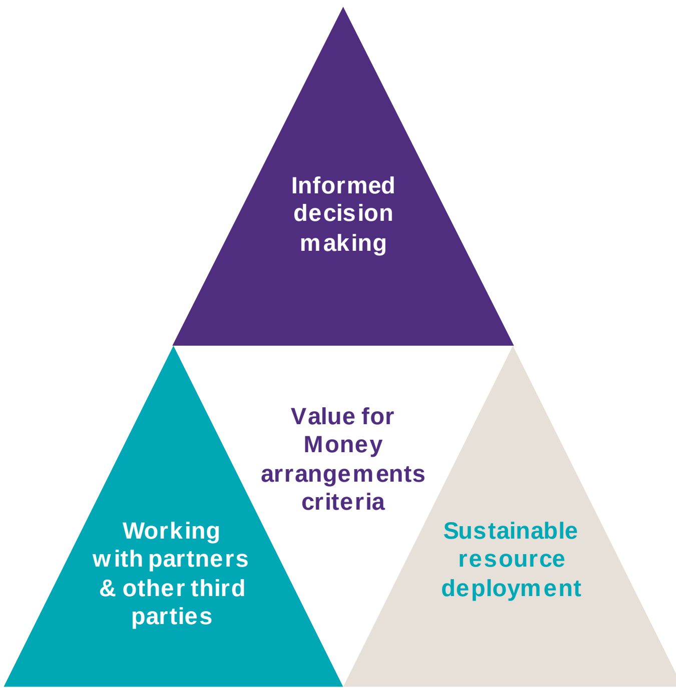
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated 30 January 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work. We do not consider Covid-19 to be a significant risk given the date of the pandemic.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risk determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were robustness of your Medium Term Financial Plan.

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20 to 22.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Overall conclusion

Based on the work we performed to address the significant risk, we are satisfied that except for the matter we identified in respect of financial sustainability, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

However, we also considered whether the significant challenges in relation to the financial statements audit also needed to be reflected in our value for money conclusion, given one of the NAO VFM criteria relates to “Unreliable and untimely financial reporting that doesn’t support the delivery of strategic priorities, such as the late submission of financial statements for audit”. This was considered by an independent consistency panel, who agreed with our assessment that the VFM Conclusion should not be qualified in this regard. This was principally because of the support from the Chief Executive to the Acting S.151 Officer, and of the audit process.

We therefore propose to give a qualified 'except for' conclusion.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Financial sustainability How robust is the Medium Term Financial Strategy (MTFS) and how well developed are savings plans? In 2018/19 we issued an "Adverse" VFM Conclusion and a Statutory Recommendation around the lack of progress to bridge the financial deficit. We report our follow up of the Statutory Recommendation on pages 24-26. We will follow up progress and test whether the difficult decisions necessary to ensure long term financial sustainability are being taken. To do this we will: 1) Review the 2019/20 financial performance against budget to obtain assurance that savings and income generation schemes are being appropriately reported and that Members are clearly sighted on any risks or challenges; 2) Review the 2020/21 MTFP and budget to obtain assurance that new savings or income generation schemes are being brought forward and agreed. Review a sample of these schemes to obtain assurance that they are robust and that the financial challenges, implications and risks are appropriately reported to Members.	1) We have monitored the Council response to its financial challenge, both pre- and post-Covid 19. In December 2019 Members were presented with a report which set out the key messages and emerging issues from the MTFP planning as it was at that time. It shows the movements from previous forecast, the large cost pressures and savings, and the impact on balances. Members were therefore given plenty of opportunity to consider the proposed MTFP in advance of formal approval in February. It was clear that difficult decisions would be needed to deliver the savings required. The MTFP presented in February 2020 is clear, concise and based on reasonable assumptions. For example, 2% pay growth & inflation, 2% increase in Council Tax, and reductions in New Homes Bonus. Quarterly Finance Reports and Savings Monitoring Reports show progress against the agreed budget and delivery of the savings and income generation schemes. Members are provided with clear and concise reports, and given the opportunity to discuss key decisions in advance. While there is scope to make reporting of savings against the MTFP more sophisticated, it does provide Members with some detail and a RAG rating. Where there are under or overspends in portfolios these are clearly reported. The financial outturn shows that, despite the challenges of Covid-19, particularly the impact on leisure services, an underspend of £403k was achieved against the revised budget.	Members have made some difficult decisions in order to move to a more balanced financial position. However, the Council still needs to save around £1.7m by 2023/24, and non earmarked general fund reserves of £1.6m as at 31 March 2020 will be insufficient to cover this. This is without knowing the full impact of Covid-19. In 2019/20 the HRA position was reasonably balanced, and at 31 March 2020 reserves were £744k. However, a number of reports to Members have set out the ongoing challenges the HRA faces, even before the impact of Covid-19, which could be around £2m. While we are satisfied that progress has been made against the Statutory Recommendation it is clear that the Council still faces significant challenges to ensure that the general fund and HRA are in a long term financially sustainable position. **Management response** See next page.

Value for Money

Significant risk	Findings	Conclusion
Financial sustainability How robust is the Medium Term Financial Strategy (MTFS) and how well developed are savings plans? In 2018/19 we issued an "Adverse" VFM Conclusion and a Statutory Recommendation around the lack of progress to bridge the financial deficit. We report our follow up of the Statutory Recommendation on pages 24-26. We will follow up progress and test whether the difficult decisions necessary to ensure long term financial sustainability are being taken. To do this we will: 1) Review the 2019/20 financial performance against budget to obtain assurance that savings and income generation schemes are being appropriately reported and that Members are clearly sighted on any risks or challenges; 2) Review the 2020/21 MTFP and budget to obtain assurance that new savings or income generation schemes are being brought forward and agreed. Review a sample of these schemes to obtain assurance that they are robust and that the financial challenges, implications and risks are appropriately reported to Members.	2) We selected 11 schemes to test in detail. Our selection was based on our perceived risk of the savings, and the value involved. We did not consider New Homes Bonus, Council Tax increases or Council Tax Surplus as these are "known". The schemes we tested below amount to £2,245k against a total (excluding NHB, CT & CT Surplus) per the MTFP, of £2,410k = 93%. Generally, the savings were fully developed, reasonable and appropriately reported to Members. These include those that required Members to make difficult decisions - closure of the One Stop Shops, withdrawal from the Rubicon Business Centre, reduction in Dial a Ride costs and reallocation of Voluntary Community Service funding. Other savings are essentially "known" - these include the Minimum Revenue Provision savings from re-profiling capital expenditure and reviewing asset lives, savings on a new insurance contract which is based on competitive tender, and reduced pension fund contributions. Other schemes were less certain. For example, for reduction in enabling costs of 1%, how the 1% cost reduction will be achieved has not been worked through yet, and service restructure is still going through the process of approval and implementation. These two items amount to £75k. The Council estimates that the financial impact of Covid-19 could amount to £2.5m, which is partly offset by grants totalling £1m. Leaving a net deficit of £1.5m. The Council (with others) continues to lobby government for additional funding to cover certain specific areas, such as leisure and non payment of housing rents, and more recently the National Leisure Recovery Fund was announced. Officers have been very clear in their reporting to Members of the impact this will have on the financial position, but have also developed a detailed "Recovery Plan". While the situation around Covid-19 remains uncertain there is little more that the Council can do, and appropriate actions are being taken.	**Management response** Management agrees with the auditor conclusion in this area. Significant progress has been made in the last year which is a credit to the Council, however further significant work is required to ensure that the Council remains financially robust going forwards. There are significant budget gaps in future years which Councillors and budget managers will need to address early in 2021 to ensure that the gap is closed. Covid-19 has had a significant impact on the Council and while grants have been received from central government to help mitigate this it remains unclear to what extent the Council's finances will change as a result.

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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified. which were charged from the beginning of the financial year to January 2021 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit subsidy claim	24,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £24,000 in comparison to the total fee for the audit of £53,379 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing capital receipts grant	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £53,379 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related - None			

Action plan

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● High	**Quality of working papers and responses** This is the third year that we have made a recommendation in relation to the quality of working papers and responses to audit questions. The quality of working papers this year has not improved. While some of this is related to the challenges of Covid-19, most of the issues relate to lack of attention to detail, superficial explanations, and providing inaccurate or incomplete information. There is a direct cost to the Council of this – both internally through engaging contractors to support the audit, and externally through additional audit fees.	**Recommendation** The Finance Team needs to properly address the recommendations made in previous years and to ensure that responses to audit questions are "right first time". **Management response** The Council acknowledges that the quality of working papers has led to a number of difficulties this year end, as with previous year ends, for the closure of the accounts and audit process. Covid-19 has driven some of this as officers were unable to sit down with auditors to go through working papers to explain them which can often resolve issues. Aside from this an old ledger system which was not fit for purpose made date extraction hard to support sampling and robust working papers. A new system has now gone live and it is anticipated that this will improve the quality of working papers in coming years. Additional resource will also need to be deployed in this area to ensure a smooth year end process next year.
● Medium	**Fully depreciated assets** The Fixed Asset Register shows over £6.5m of fully depreciated Vehicles, Plant & Equipment. Management needs to consider whether these should be written out (they are no longer used) or prove they are still in existence and in use. If the latter, we would ask Management to reconsider their useful lives as, if the assets are fully depreciated but still in use, they would not appear to be appropriate.	**Recommendation** Management needs to consider whether these fully depreciated assets should be written out (they are no longer used) or prove they are still in existence and in use. If the latter, we Management should reconsider their useful lives as, if the assets are fully depreciated but still in use, they would not appear to be appropriate. **Management response** Management will undertake a review of these assets as part of the closedown next year and determine an appropriate course of action as a result.

Controls

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Action plan

Assessment	Issue and risk	Recommendations
Medium	**Property, Plant and Equipment valuations** This is a major focus of our work, and will continue to be so in 2020/21. Our work this year took an excessively long time to complete – both for auditors and officers. The amount of time needed to complete this aspect of our audit is not sustainable.	**Recommendation** Management needs to: 1) Ensure previous years valuation reports are readily available. 2) Ensure that a Letter of Engagement is agreed with the valuer, clearly setting out the requirements and expectations. 3) Ensure that evidence to support the floor area of revalued buildings is retained and readily available. 4) Conduct a review of assets not revalued in year to determine whether they continue to be fairly stated. 5) Ensure that details of comparable properties used in HRA valuations is retained and readily available. **Management response** This was a particularly challenging are of the audit this year, in part due to the increased demands by the regulator. In addition to this, it was determined during the audit that the Council did not hold detailed records of assets owned. As a result the external valuer was required to supply this information such as floor areas. Moving forwards the Council will use the external valuers as a "first port of call" on all valuation and assets queries to allow for a smoother audit process rather than trying to do this internally.
Medium	**Annual Governance Statement** Our work on the Annual Governance Statement identified a significant number of typographical errors, referring to the wrong Committee, not referring to the CIPFA / SOLACE requirements, and saying nothing about the "Significant Governance Issues".	**Recommendation** Management needs to ensure that the Annual Governance Statement complies with the CIPFA / SOLACE requirements. In particular referring to the S.151 Officer responsibilities and ensuring that "Significant Governance Issues" are appropriately explained. **Management response** Management agreed with the feedback from auditors and amended accordingly and this will be reflected in future sets of accounts.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Redditch Borough Council's 2018/19 financial statements, which resulted in two recommendations being reported in our 2018/19 Audit Findings report. Our audit work this year indicates that the implementation of our recommendations is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Statement of Accounts production** Many of the changes we identified as a result of our audit were repeated from last year. It is disappointing and time consuming to have to raise the same amendments in successive years. The Council needs to ensure that the template Statement of Accounts for 2019/20 start with the final audited 2018/19 Statement. **Recommendation** The Council needs to ensure that amendments to the structure of the Statement of Accounts for 2019/20 and the titles and headings used therein reflects the changes agreed this year. **Management response** The Council will ensure that in future years a greater amount of time will be allocated to quality checking at a senior level.	We have not identified any issues or errors that have been repeated from previous years. However, the quality of the Statement of Accounts still needs further improvement in order to reduce the number of changes required as a result of the audit.
X	**Quality of working papers and responses** We noted some improvement in the quality of the working papers initially provided to us. However, those improvements were insufficient to avoid a very high number of questions being raised. For the majority of our audit the responses we received were frequently inadequate, necessitating further questions. **Recommendation** Officers need to properly address the recommendation made last year and to ensure that responses to audit questions are "Right first time". **Management response** A training plan will be put in place to address improvements in working papers and responses to audit queries. This will be developed in consultation with Grant Thornton.	Unfortunately, this has not improved. The delays and challenges we have experienced this year are worse than in previous years. While some of this is related to the challenges of Covid-19, most of the issues relate to lack of attention to detail, superficial explanations, and providing inaccurate or incomplete information.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year Statutory Recommendation

On 25 July 2019 we issued a Statutory Recommendation under section 24 of the Local Audit and Accountability Act 2014. We reported this to the Audit, Governance & Standards Committee in our Audit Findings Report on 29 July 2019.

Assessment	Statutory Recommendation	Update on actions taken to address the issue
✓	The Council needs to take urgent action to prevent both its General Fund and HRA balances being exhausted by the end of 2020/21. Failure to take effective action will put the Council at risk of breaching its statutory duty to set a balanced budget. It must agree and implement an achievable financial strategy that ensures a sustainable level of General Fund and HRA balances is maintained in the medium term (at least the next three years up to and including 2021/22), taking into account the current uncertainties about future local authority funding. This must include the following. • A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20. • A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax. • Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level.	Grant Thornton met with the Portfolio Holder, Chief Executive and Deputy S.151 Officer on 17 September 2019 to discuss the next steps. On 26 September 2019 the Audit, Governance & Standards Committee formally considered the Recommendation and approved the Council response. The report was then considered by Executive on 29 October 2019, with a further update being presented on 11 November 2019. The reports referenced above set out in detail the assessment of the deliverability of the savings challenge for 2019/20 and the monitoring that would take place. The Medium Term Financial Plan presented to Executive on 11 February 2020 set out very clearly the financial challenges and actions needed. The report noted that Members had already made some difficult decisions to approve service changes and realignment of funding to realise additional savings of: • Closure of the One Stop Shops (saving £60k) • Withdrawal from the Rubicon Business Centre (saving £92k) • Reallocation of Voluntary Community Service Funding (saving £108k). The MTFP explained how the 2020/21 forecast had moved from a £1.17m deficit (per the Statutory Recommendation) to an £82k surplus. The MTFP sets out that the annual "gap" was: 2020/21 = £82k surplus; 2021/22 = £352k gap; 2022/23 = £305k gap; 2023/24 = £1,021k gap.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year Statutory Recommendation

Assessment	Statutory Recommendation	Update on actions taken to address the issue
✓	The Council needs to take urgent action to prevent both its General Fund and HRA balances being exhausted by the end of 2020/21. Failure to take effective action will put the Council at risk of breaching its statutory duty to set a balanced budget. It must agree and implement an achievable financial strategy that ensures a sustainable level of General Fund and HRA balances is maintained in the medium term (at least the next three years up to and including 2021/22), taking into account the current uncertainties about future local authority funding. This must include the following. • A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20. • A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax. • Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level.	For the HRA, for 2019/20 and 2020/21 the anticipated position was a deficit which would reduce the Housing Revenue Account balances to below the £600k minimum requirement advised by the Section 151 officer and agreed by Members. To enable the balances to remain at £600k the budget included drawing £195k from the reserves in 2019/20 and £208k in 2020/21. However, this was to be reimbursed from 201/22 to 2023/24 as the HRA position improved. On 4 August 2020 the Financial Monitoring Outturn report for 2019/20 was presented to Executive. This reported a £403k underspend against the revised budget, which itself was £1m lower than the initial budget. This included a £413k overspend on Rubicon Leisure as a result of the decrease in activity from Mid February onwards (as a result of Covid-19) – necessitating the management fee be increased. The report also highlighted significant savings on salaries & vacancies totalling £737k. The Outturn report also showed £38k underspend on cost of services for the HRA. The General Reserve decreased slightly from £770k to £744k, compared to £600k forecast. On 27 October 2020 Executive received the "Medium Term Financial Plan - Financial Framework 2021/22 – 2024/25" report which set out the challenges and objectives for developing the MTFP. The report states that the Council has to deliver £1.7m over the next 3 years with £352k to be found for 2021/22, rising to £1m in 2023/24. The full impact of Covid-19 is still unknown. However, the Council is forecasting an outturn overspend of for 2020/21 of £158k mainly arising from the anticipated loss of income for Rubicon Leisure during the year. For the HTA a gap of £2 million is forecast due to a reduction in rent payments. On page 18, we report on our VFM work for 2019/20, and state "Generally, the savings were fully developed, reasonable and appropriately reported to Members…Other schemes were less certain."

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year Statutory Recommendation

Assessment	Statutory Recommendation	Update on actions taken to address the issue
✓	The Council needs to take urgent action to prevent both its General Fund and HRA balances being exhausted by the end of 2020/21. Failure to take effective action will put the Council at risk of breaching its statutory duty to set a balanced budget. It must agree and implement an achievable financial strategy that ensures a sustainable level of General Fund and HRA balances is maintained in the medium term (at least the next three years up to and including 2021/22), taking into account the current uncertainties about future local authority funding. This must include the following. • A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20. • A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax. • Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level.	**Conclusion** The Council has responded positively to the Statutory Recommendation, and Members have made some difficult decisions in order to move to a more balanced financial position. However, the Council still needs to save around £1.7m by 2023/24, and non earmarked general fund reserves of £1.6m as at 31 March 2020 will be insufficient to cover this. This is without knowing the full impact of Covid-19. In 2019/20 the HRA position was reasonably balanced, and at 31 March 2020 reserves were £744k. However, a number of reports to Members have set out the ongoing challenges the HRA faces, even before the impact of Covid-19, which could be around £2m. While we are satisfied that progress has been made against the Statutory Recommendation it is clear that the Council still faces significant challenges to ensure that the general fund and HRA are in a long term financially sustainable position. **Management response** The Council is pleased that its hard work to date has been noted by external audit in this area. Management agree that there is significant work to be done going forwards and that robust savings/income generation schemes will be worked up with members to ensure that the future budget gaps are bridged in good time.

Assessment

✓ Action completed

X Not yet addressed

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 adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Middlehouse Lane (Surplus Asset) – out of date Valuation Report used. Valuation used of £370,000, but Valuation Report shows £775,000. The asset is therefore understated by £405,000.	0		0
Dr. Surplus Assets		405	
Cr. Revaluation Reserve		(405)	
Oak Tree Park (non operational asset) – out of date Valuation Report used. The accounts showed a value of £899,474 for buildings, but £0 for land. The Valuation Report showed buildings valued at £609,000 and land at £261,000. Therefore, buildings are overstated by £290,474 and land understated by £261,000.	0		0
Dr. Revaluation Reserve		290	
Cr. Operational Buildings		(290)	
Dr. Land		261	
Cr. Revaluation Reserve		(261)	
Overall impact	**£0**	**£0**	**£0**

Misclassification and disclosure changes

We have provided details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements on pages 7 & 8. We have not duplicated that information here. We would recommend that Officers ensure that more time is available for review of the financial statements before they are published to reduce the number of typographical errors and amendments needed to better comply with the Code requirements.

Audit adjustments

Impact of unadjusted misstatements

There are no unadjusted misstatements.

Appendix E

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	**Proposed fee (£)**	**Final fee (£)**
Council Audit	53,379	TBC*
Total audit fees (excluding VAT)	**£53,379**	**£TBC**

*The final audit fee is to be confirmed, pending discussions with Officers and PSAA regarding additional fee as a result of:

- the additional work required to resolve the very high number of questions we raised, inadequate explanations to our questions, and the number of amendments required to the Statement of Accounts (estimated £10,000); and
- the additional work and time as a result of the impact of Covid-19 (estimated £8,750).

Non-audit fees for other services	**Proposed fee (£)**	**Final fee (£)**
Audit Related Services:		
Certification of Housing Benefit subsidy claim	24,000	TBC**
Certification of Housing capital receipts return	2,500	2,500
Non- Audit Related Services - None	0	0
Total non- audit fees (excluding VAT)	**£26,500**	**£TBC**

**We are unable to confirm our fees for this work as it is incomplete.

Audit opinion

We anticipate we will provide the Group with a modified audit report

Independent auditor's report to the members of Redditch Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Redditch Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement for the Council and Group, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Executive Director of Finance and Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Audit opinion

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Executive Director of Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 14 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and as at 31 March 2020. As disclosed in Note 14 of the financial statements, the uncertainty caused by Covid-19 has had an impact on the Council's ability to accurately value its land and buildings. The valuer that the Council has used for the exercise this year has been unable to reflect the impact of the current pandemic on land and property values. All evidence that could be obtained reflects pre-pandemic levels and the Royal Institute of Chartered Surveyors (RICS) guidance on material uncertainty. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

Other information

The Executive Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Audit opinion

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director of Finance and Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 15 the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Resources. The Executive Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance and Resources is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit, Governance & Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Audit opinion

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, except for the effects of the matter described in the basis for qualified conclusion section of our report we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for qualified conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness in its use of resources we identified the following matter:

The Authority's medium term financial plan was updated in February 2020 and covers the period to 31 March 2024. Over this period, the plan forecasts that the Authority's expenditure will exceed its income by £1.7 million. At 31 March 2020, the Authority's General Fund balance was £1.6 million. This balance is insufficient to cover the planned gap between the Authority's income and its expenditure over the medium term . The Authority currently has no plans to bridge the planned gap on a sustainable basis.

This matter identifies weaknesses in the Authority's arrangements for setting sustainable budgets. Failure to take effective action will put the Authority at risk of breaching its statutory duty to set a balanced budget.

This matter is evidence of weaknesses in proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Redditch Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Audit opinion

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Jackson Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date]

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