



The Annual Audit Letter for Redditch Borough Council

Year ended 31 March 2020

24 November 2021



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Redditch Borough Council (the Council) and its subsidiary (the group) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit, Governance & Standards Committee as those charged with governance in our Audit Findings Report on 1 March 2021.

Our work

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two); and
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

| | |
|-------------------------------------|---|
| Materiality | We determined materiality for the audit of the Council's financial statements to be £1.3m and £1.33m for the group, both of which equate to approximately 2% of the gross cost of services. |
| Financial Statements opinion | <p>We gave an unqualified opinion on the group's financial statements on 8 November 2021.</p> <p>We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.</p> <p>As part of our audit work our disposals testing identified that the Council had sold an asset which did not appear on the Fixed Asset Register (FAR). We therefore challenged officers over the completeness of the FAR. The asset disposed of was a small piece of land which became saleable as part of a wider development by an external contractor. Officers undertook a considerable amount of work in order to be able to provide sufficient, appropriate assurance that the issue was isolated. This work, and our review, led to further delays in completing the audit.</p> |

Executive Summary

Financial Statements opinion (continued)

We expect to receive draft financial statements for the year ended 31 March 2021 in February or March 2022. The deadline by which these should have been published, and available for audit, is 30 July 2021. The excessive delay in completing the audit of the 2019/20 financial statements, and in receiving draft 2020/21 statements, has potentially serious consequences. In its report “Local auditor reporting on local government in England”, published on 8 July 2021, the House of Commons Committee of Public Accounts stated “If local authorities are to effectively recover from the pandemic, it is critical that citizens have the necessary assurances that their finances are in order and being managed in the correct manner.” And “The Department [the Ministry of Housing, Communities & Local Government] considered that a local authority was in a stronger position to complete its budget setting process each Autumn if its auditors had already completed their audit of the previous year’s accounts, as the audited accounts often formed the underlying basis for the budget setting process. The Department felt that audited accounts provided confidence, assurance and transparency for the budget setting process. It noted that there had been recent cases where an audit had revealed information that affected the value of a local authority’s reserves and which had knock-on effects on future budgets.”

Whole of Government Accounts (WGA)

We completed work on the Council’s consolidation return following guidance issued by the NAO.

Use of statutory powers

We did not identify any matters which required us to exercise our additional statutory powers.

Value for Money arrangements

We were satisfied that the Council put in place proper arrangements to ensure 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 updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We did not identify any new VFM risks in relation to Covid-19.

We therefore issued an ‘except for’ qualified value for money conclusion. We reported our findings in our Audit Findings Report on 1 March 2021.

Executive Summary

| | |
|--------------------|---|
| Certificate | We certified that we have completed the audit of the financial statements of Redditch Borough Council in accordance with the requirements of the Code of Audit Practice on 8 November 2021. |
|--------------------|---|

Working with the Council

The impact of the Covid-19 pandemic on the Council, operationally and in preparing the financial statements, has been significant. Finance and audit staff have been working remotely, and meeting through MS Teams. Not being able to meet face to face had a significant impact on the time taken to complete our audit work.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
November 2021

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council and group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group financial statements to be £1.33m, which is 2% of the group's gross cost of services. We determined materiality for the audit of the Council's financial statements to be £1.3m, which is 2% of the Council's gross cost of services. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We 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.

We set a lower threshold of £65k, above which we reported errors to the Audit, Governance & Standards Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|--|---|
| <p>Covid-19</p> <p>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;</p> <ul style="list-style-type: none"> 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. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> 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. | <p>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 was provided significantly later than planned.</p> |

Audit of the Financial Statements

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|--|---|
| <p>Valuation of land and buildings</p> <p>The Council 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 Council 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</p> <p>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.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> 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 Council'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. | <p>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.</p> <p>In completing this work we encountered some very serious challenges and delays, and some examples are set out below:</p> <ul style="list-style-type: none"> 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; and 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. |

Audit of the Financial Statements

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|---|---|
| <p>Valuation of net pension liability</p> <p>The Council'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.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council'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 Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council 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. | <p>Our work in this area we identified 11 different areas that needed to be amended to correctly reflect the actuarial reports. None of these affected the assets, liabilities or amounts paid and the final financial statements were appropriately updated.</p> |

Audit of the Financial Statements

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|---|---|
| <p>Management override of internal controls</p> <p>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.</p> <p>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.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> • 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. | <p>Our work in this area not identify any issues in respect of management override of controls.</p> |

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council and group's financial statements on 8 November 2021.

Preparation of the financial statements

We reported the significant challenges in completing our audit work in our Audit Findings Report presented to Audit, Governance & Standards Committee on 1 March 2021. We had previously presented a report to the Committee on 26 November 2020. We highlighted our concerns and challenges regarding quality of working papers supporting the financial statements and responses to audit questions, and provided some illustrative examples. During the ensuing discussion Members recognised the issues both officers and auditors face.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit, Governance & Standards Committee on the two dates noted above.

In our Audit Findings Report presented to Committee on 1 March 2021 we noted that our audit was substantially complete, with the following to complete:

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

We were presented with five further versions of the financial statements which did not reflect all of the agreed amendments. The sixth version did include all of the changes. Considerable audit time was spent checking each of the six versions, discussing the financial statements with Officers, and updating our consideration of events after the balance sheet date through minute reviews.

In our Audit Findings Report presented to Committee on 1 March 2021 we reported “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).

In our “Audit Findings Report Addendum” we stated “These additional errors and changes mean that we now cannot contain the fee within the extra £10,000 previously estimated and reported in respect of the quality of the financial statements and working papers. We will agree a final fee with the Acting S.151 Officer once the audit is completed.”

As a result of the additional audit time required in the eight months between 1 March and 8 November we have discussed with Officers that further additional fees will be required. The final audit fee variation will now be £23,000.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the draft Statement of Accounts by the end of August 2020.

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 was significantly enhanced in order to meet 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 meets the disclosure requirements and is consistent with the financial statements and our knowledge obtained in the audit.

Audit of the Financial Statements

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Redditch Borough Council in accordance with the requirements of the Code of Audit Practice on 8 November 2021.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money 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.

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 issued a qualified 'except for' conclusion.

Value for Money conclusion

Value for Money Risks

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|---|---|
| <p>Financial sustainability</p> <p>How robust is the Medium Term Financial Strategy (MTFS) and how well developed are savings plans?</p> <p>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.</p> <p>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:</p> <p>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;</p> <p>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.</p> | <p>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.</p> <p>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.</p> | <p>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.</p> <p>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.</p> <p>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.</p> <p>Management response</p> <p>See next page.</p> |

Value for Money conclusion

Value for Money Risks

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|---|---|
| <p>Financial sustainability</p> <p>How robust is the Medium Term Financial Strategy (MTFS) and how well developed are savings plans?</p> <p>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.</p> <p>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:</p> <p>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;</p> <p>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.</p> | <p>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%.</p> <p>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.</p> <p>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.</p> <p>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.</p> | <p>Management response</p> <p>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.</p> |

A. Reports issued and fees

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

Reports issued

| Report | Date issued |
|--|---------------------------------------|
| Audit Plan | 30 January 2020 |
| Audit Progress Report and Sector Updates | 15 September 2020 26 November 2020 |
| Audit Findings Report | 1 March 2021 |
| Annual Audit Letter | November 2021 |

Fees

| | Planned £ | Actual fees £ | 2018/19 fees £ |
|-------------------|---------------|------------------|-------------------|
| Statutory audit | 53,379 | 76,379 | 57,629 |
| Total fees | 53,379 | 76,379 | 57,629 |

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £44,629 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Fee variations are subject to PSAA approval.

Fees for non-audit services

| Service | Fees £ |
|---|--------|
| Audit related services | 24,000 |
| - Certification of Housing Benefit subsidy claim | |
| - Certification of Pooling of Housing Capital Receipts return | 2,500 |
| Non-Audit related services | |
| - None | |

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 table above summarises all non-audit services which were identified.

We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

A. Reports issued and fees continued

| Area | Reason | Fee proposed |
|--|---|---------------|
| Pensions – IAS 19 | The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this. | 1,750 |
| PPE Valuation – work of experts | As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this. | 3,000 |
| Increased challenge and depth of work | The Financial Reporting Council (FRC) has raised the threshold of what it assesses as a good quality audit. | 2,500 |
| New accounting standards | The proposed implementation of IFRS16. This was deferred as a result of Covid-19, and the proposed additional fee has been netted off the figures below | 1,500 |
| Total per audit plan | | 8,750 |
| Qualitative issues | The additional work required to resolve the very high number of questions we raised, inadequate explanations to our questions, the number of amendments required to the Statement of Accounts, Fixed Asset Register completeness and reviewing six further versions. The has been reported to Members at various points throughout our audit. | 15,000 |
| Covid-19 | The additional work and time as a result of the impact of Covid-19. | 8,000 |
| Revised total | | 31,750 |
| Scale fee | | 44,629 |
| Proposed fee | | 76,379 |



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