



The Audit Findings for East Staffordshire Borough Council

Year ended 31 March 2020

9 September 2020



Contents



Your key Grant Thornton team members are:

Michael Green

Director

T: 0161 953 6382

E: Michael.green@uk.gt.com

David Rowley

Manager

T: 0121 232 5225

E: david.m.rowley@uk.gt.com

Allison Thomas

Assistant Manager

T: 0121 232 5278

E: allison/.a.thomas@uk.gt.com

Section

	Page
1. Headlines	3
2. Financial statements	5
3. Value for money	15
4. Independence and ethics	16

Appendices

A. Audit adjustments	17
B. Fees	19

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

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

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council.</p> <p>Front-line challenges faced by the Council included additional capacity to administer grants to businesses, closure of car parks and leisure centres with additional challenges of reopening services under new government guidelines.</p> <p>Both finance and the audit team also faced difficulties around access to systems and planning for the possibility of reduced capacity due to staff sickness.</p> <p>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 audited financial statements to 30 November 2020</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and communicated these considerations to you via the audit plan on 25 June 2020 in which 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 6.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to working entirely remotely. Whilst we have typically performed a majority of the audit remotely in previous years owing to space restrictions at Council premises, there were additional challenges this year in areas such as physical verification of assets, completion of walkthrough testing and observation of reports such as the Trial Balance and Journals report. Finance and audit staff were able to overcome these challenges via the use of video calling and screen sharing technology. Draft financial statements were provided to the audit team on 29th June 2020.</p>
Financial Statements	<p>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 Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the 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. <p>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.</p>	<p>Our audit work was completed on site/remotely during July-September . Our findings are summarised on pages 6 to 11. Unadjusted misstatements are detailed in Appendix A.</p> <p>Our work is substantially complete, barring the matters listed on the page 5.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting PPE valuation material uncertainties.</p>

Headlines

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

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. We have concluded that East Staffordshire Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. 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 unqualified value for money conclusion. Our findings are summarised on pages 14 to 15.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"> • 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 have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit 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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following completion of the audit, subject to the following outstanding items:

- receipt of management representation letter;
- review of the final set of financial statements;
- receipt of the required assurances from the auditors of Staffordshire Pension Fund;
- responses to review points raised from engagement lead file review;
- completion of alternative procedures to gain assurance over short term investment values; and
- resolution of outstanding issues on LGPS liability and PPE valuations.

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.

	Council Amount (£000s)
Materiality for the financial statements	990
Performance materiality	712
Trivial matters	47.5
Materiality for senior officers' remuneration	100

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Covid- 19

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 for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 29 June 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment;

We have not identified any material uncertainties in relation to Covid-19 that would result in a material misstatement in the financial statements.

The revenue cycle includes fraudulent transactions

Per our audit plan (presented to the Committee 25 June 2020), we were able to rebut this risk in relation to the Council. We have made no changes to our risk assessment in relation to this area following presentation of our Audit Plan.

Management override of controls

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 a sample of 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 made by management and considered their reasonableness with regard to corroborative evidence

Our audit work to date has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

Auditor commentary

We:

- Updated our understanding of the procedures 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 (the 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 additional procedures as suggested in the report
- Requested assurances from the auditor of Staffordshire 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 per the pension fund financial statements

Work in this area is ongoing and we are currently not in a position to conclude that the pension fund net liability is fairly stated.

In addition to the procedures above which were initially set out in our audit plan, we also engaged with the actuary directly around a number of the assumptions employed in calculation of the Council's liability in the light of the economic uncertainty around Covid 19. We also raised questions around the background to experience items noted in the year on year movement on the pension fund's liability and the possibility of an overstatement in liabilities relating to prior year estimates in respect of the McCloud and Goodwin cases.

Following discussions between the Actuary and Grant Thornton, it was determined that a second IAS 19 report had been produced which showed that the impact of the above issue resulted in a £140k overstatement of the net liability and related expenditure. There was a further £457k overstatement in the liability identified as a result of a difference between the estimated and actual return on assets. Management have chosen not to adjust the financial statements for the impact of these matters which are not material and would have no impact on the General Fund. We have therefore included the adjustment as an unadjusted misstatement in Appendix A.

Furthermore, as at the time of writing we have not yet received the required assurances (as described above) from the auditors of Staffordshire Pension Fund. Current discussions indicate a likely time frame of the end of September for receipt of this information. As above, we are unable to conclude our work in this area until the requested assurances are obtained and considered and we are therefore unable to issue our audit report.

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Valuation of land and buildings

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
- Discussed with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- Tested revaluations made during the to confirm that they had been input correctly into the Council's asset register

At the time of writing, our work in this area is ongoing. We have raised a challenge around the impact of Covid 19 on valuations of the Council's car parks, which are based on expected future income generation and therefore there is added uncertainty around future trends. In addition, we are seeking additional assurance to evidence that the carrying value of Council assets are materially correct at the Balance Sheet date given that valuations are as at 1 April 2019 and in consideration of the uncertainties caused as a result of the Covid 19 pandemic.

This matter is particularly relevant due to the uncertainties around property valuations reflected in the report of the valuer and as disclosed within the financial statements. The Council's valuer has prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates.

As, disclosed in notes 3 and 13 to the financial statements, in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has reported a material valuation uncertainty' in their valuation report. This is on the basis of uncertainties in the markets caused by Covid-19. The values in the report have been used to inform the measurement of property assets at valuation in the financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and believes this remains the best information available to the Council.


As a result of the material uncertainty disclosure on land and buildings valuations, we expect to include an emphasis of matter paragraph within our audit report.

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>IFRS 16 implementation has been delayed by one year</p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases</p>	<p>We have reviewed the Council's disclosure, which correctly discloses the accounting standard under standards issued, but not yet adopted by the Code. The Council has confirmed that it is still currently assessing the financial impact.</p>	<p>The Council's disclosure suitably complies with the requirements of IAS 8.</p>

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provision for NDR appeals - £2m	The Council are responsible for repaying a proportion of successful rateable value appeals. The Council's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. A national court case in relation to GP's surgeries went in favour of Councils and this, in addition to existing information about the success rate of current appeals, led to a £967k decrease in the value of the estimate.	<p>We have:</p> <ul style="list-style-type: none"> Reviewed the appropriateness of the underlying information used to determine the estimate Reviewed the impact of any changes to the valuation methodology Checked the consistency of the estimate against industry practice Agreed the reasonableness of the decrease in the value of the estimate against wider sector knowledge Reviewed the adequacy of the disclosure of the estimate in the financial statements <p>We have no issues to report in respect of this estimate.</p>	 Green
Valuation of Land & Buildings - £32m	The Council's property portfolio comprises a combination of surplus, investment and other non specialised land and buildings which are required to be valued via a combination of fair value (FV) and existing use value (EUV). The Council engages two external experts to complete valuations on an annual basis, in the case of surplus and investment assets, and on a five yearly rolling cycle for other non specialised assets. Therefore our work focuses on a review of the assumptions and methodology employed by the valuers as well as a consideration of the possibility of material misstatement in assets not revalued.	As detailed earlier on in the report, work in this area is ongoing at the time of writing..	

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
LGPS – Net Liability (Valuation) - £47m	<p>The Council's [total] net pension liability at 31 March 2020 is £47.240m (PY £60.312m) comprising the Staffordshire PF Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hyman Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. 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. There has been a £13m reduction in the liability during 2019/20, arising from changes in financial assumptions.</p>	As detailed earlier on in the report, work in this area is ongoing at the time of writing..	

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 – 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).

Since March 2020, the Council has experienced some loss of income, particularly in relation to its car parks and other fees and charges raised by the Council, additional expenditure to respond to the pandemic (such as in the administration of government grants to businesses in the local area), uncertainty over central government funding and the future collectability of debtor balances. Despite the significant challenges being faced by the Council, a surplus position was reported in 2019/20. Whilst management anticipates that it may take a number of years before the Council's can fund its gross service expenditure without the use of its reserves, our work suggests that the Council has sufficient reserves to sustain its operations in the short to medium term future. Given the sensitive nature of these disclosures, we have identified this as an area of focus in our audit.

Going concern commentary

Management's assessment process

Management has

- Produced a detailed cash flow forecast for the period of 24 months following 31 March 2020
- Produced an impact assessment in the light of Covid 19, revisiting assumptions in place within the MTFS.

Auditor commentary

The Council's initial MTFS, produced in early 2019, estimated that the Council would need to use approximately £4m of New Homes Bonus funding to balance the budget over the 5 year period. Our review of the Council's Covid Impact assessment suggests that the Council may need to use other financial reserves to cover the additional impact over this period. However, with total useable reserves in place of £17.6m, our view is that the Council has sufficient reserves in place to mitigate going concern risk over the short to medium term and certainly for a period of 12 months following the likely sign off date of our audit report.

Work performed

We have

- Re-performed the Council's cashflow forecasting and sense checked the underlying assumptions
- Reviewed the assumptions underpinning the Council's forecasting and budgeting process

As detailed above we are satisfied that the Council has sufficient reserves and current assets to enable it to meet its obligations for a period of at least one year following our signing of the audit opinion.

We have also considered the various central government schemes to mitigate the impact of the virus financially going forward and considered the adequacy of the Council's disclosures in this area including in relation to post balance sheet events. We have nothing to report in this area.

Concluding comments

Overall there is no impact on our audit opinion for the 2019/20 financial statements in relation to going concern. We do not anticipate modifying our report in relation to this and have not identified a material uncertainty in this area.

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 Scrutiny, Audit & Value for Money Council Services Committee and not been made aware of any instances of material fraud. We are satisfied that the Council has robust procedures in place to mitigate the risk of fraud to the financial statements.
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. A draft, indicative version of this letter has been included in the papers for the committee. However, it should be noted that, given the outstanding information in relation to key estimates such as the LGPS liability and PPE valuations, it should be noted that this may be subject to change and specific representations may be sought in these areas. We will therefore update the Committee ahead of the 21 September meeting.
Confirmation requests from third parties	We requested from management permission to send a number of confirmation requests in relation to cash and investment balances . This permission was granted and the requests were sent however 3 requests were not received so we are in the process of performing alternative procedures to gain assurances over these balances. We will verbally update to the Committee.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified, however as at the time of writing we are yet to review the final set of accounts. We currently plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • 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 <p>At the time of writing, we have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>Owing to the extended deadlines in places following the Covid 19 pandemic, the in this respect is not yet complete and will be undertaken once we have been able to complete our financial statements audit.</p>
Certification of the closure of the audit	<p>We anticipate certifying the closure of the 2019/20 audit of East Staffordshire Borough Council at the same time as issuing the audit report.</p>

Value for Money

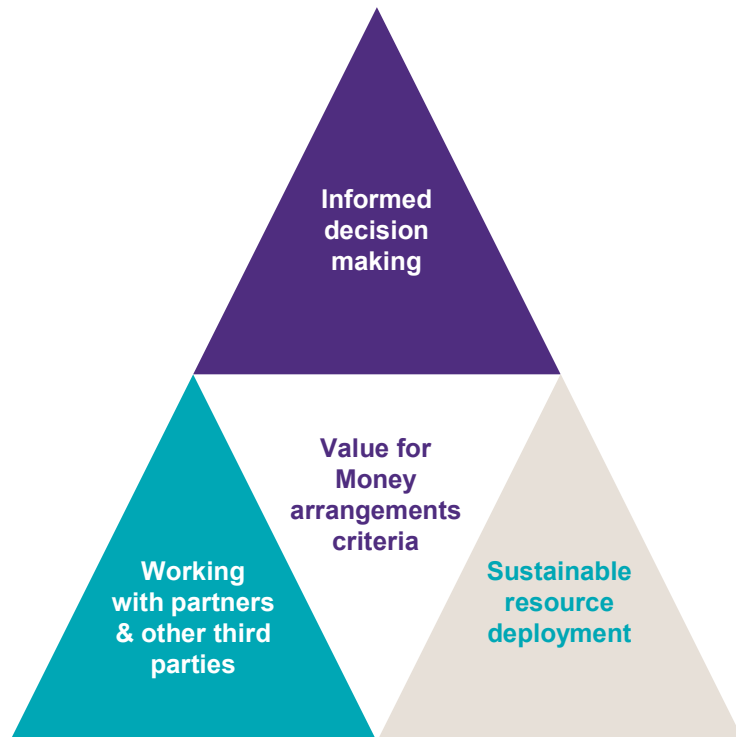
Background to our VFM approach

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 again in March and April 2020 following the outbreak of the Covid 19 pandemic. We did not identify any significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. This was communicated to you via our Audit Plan in June 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 therefore anticipate issuing an unqualified VFM opinion. However, our review of relevant documents is ongoing until the date of signing of the accounts. We will update further in the final AFR.

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.

As detailed at the previous slide we have assessed the Council's arrangements under the criteria outlined by the NAO and have not identified any significant risks.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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.

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 B

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 service were identified.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	12,500	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 £12,500 in comparison to the total fee for the audit of £45,115 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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

As at the time of writing, there are no adjusted audit misstatements to report

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Various	A small number of minor changes have been agreed with the Council in relation to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and understandability. As detailed earlier in the report, the final set of accounts remains subject to review ahead of closure of the audit.		✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Scrutiny, Audit & Value for Money Council Services Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The actuary has indicated that the past service costs in the cost of services and included in the total post employment benefit charged to the surplus or deficit on the provision of services may be less than half the original estimated liability of £210k, following the proposed remedy for McCloud.	(140)		(140)	• Not material and no impact on general fund.
The actuary has indicated that the past service costs in the cost of services may be less than half the original estimated liability of £210k, following the proposed remedy for McCloud. Thus reducing the closing defined benefit obligation in the balance sheet.		140		• As above
The Council obtained an updated IAS 19 report based on year end actuals which demonstrated that the estimated return on assets which was used in drafting the financial statements was poorer than the actual. This resulted in an overstatement of the net liability in the draft financial statements by a further £457k.		457		• As above
As above, there is a corresponding impact on other comprehensive income on the CIES, which is recorded "below the line" and therefore does not have an impact on the Council's net expenditure.	(457)			• As above
Overall impact	(597)	597	(140)	

Impact of prior year unadjusted misstatements

Unadjusted misstatements recorded in the prior period report related to estimates of the impact of issues relating to the McCloud judgement and GMP on the net pension fund liability and the impact of an understatement in the Bad Debt Provision as a result of a working paper error. Both of these elements are revisited in 2019/20 and estimates recalculated to take into account new data therefore our view is that the misstatements do not remain uncorrected in the 19/20 financial statements and therefore the impact does not carry forward. .

Fees

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

Audit fees	Proposed fee	Final expected fee
Council Audit	£45,115	£45,115
Total audit fees (excluding VAT)	£45,115	£45,115

Non-audit fees for other services	Proposed fee	Final expected fee
Audit Related Services (Grant certifications)	£12,500	£12,500
Total non- audit fees (excluding VAT)	£12,500	£12,500



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