The Audit Findings for Worcestershire County Council

Year ended 31 March 2020

22 September 2020

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Your key Grant Thornton team members are:

Peter Barber
Director
T: 0117 305 7897
E: peter.a.barber@uk.gt.com

Helen Lillington
Senior Manager
T: 0121 232 5312
E: helen.m.Lillington@uk.gt.com

Meriel Clementson
Associate
T:0121 232 5436
E: meriel.h.Clementson@uk.gt.com

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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.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Worcestershire County 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 group and Council . The Council focused on identifying key operational and strategic risks, using new interim working practices to ensure that functions could continue during 'lock down'. Our experience of working with the finance function has demonstrated that while functions continue to operate, these are inevitably taking more time to complete than in a normal year. 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 financials 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 6. Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to ensure we have gained sufficient audit evidence for the balances with the financial statements. This has meant a greater reliance on video calling for many aspects of the audit, particularly in terms of the use of sharing of screens to watch transaction listing being run. Where information is normally provided in a spreadsheet format, we have undertaken additional levels of testing to ensure that the information provided hasn't been manipulated prior to being sent to the audit team. Inevitably the remote working has impacted on delivery and additional resources have been necessary on both sides to complete the work in accordance with the new extended reporting timetable.
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), 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.	We commenced our post-statements remote audit on 8 June and as at 22 September 2020 our audit is substantially complete. Our findings are summarised on pages 4 to 17. We have identified no material errors or adjustments to the financial statements to date. There have, however, been significant amendments to the presentation of the notes in relation to Property, Plant and Equipment. Audit adjustments are detailed in Appendix C. 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. The draft financial statements were presented for audit to the agreed timetable on the 5 June 2020. The statements were supported, in the main, by good quality working papers and we received prompt responses to our queries, given the circumstances. This continues the positive trajectory of improvements in the quality of the accounts and working papers from previous years. The significant number of issues arising in respect of Property, Plant and Equipment this year is down, in no small part, to the complexities of your Asset Register. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. The financial statements we have audited is up until 31 March 2020 which was prior to the outbreak of the Covid-19 coronavirus pandemic. Subject to a number of outstanding queries being resolved, we anticipate issuing an unqualified audit opinion (detailed in Appendix E) following the Audit and Governance Committee meeting on 2 October 2020. Our anticipated audit report opinion will be unqualified and include an Emphasis of Matter paragraph highlighting the material uncertainties disclosed in the financial statements in respect of Property Plant and Equipment.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Worcestershire County 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.

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 Worcestershire County 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, as detailed in Appendix E. Our findings are summarised on pages 18-22.
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 have completed the majority of work under the Code but are unable to issue our completion certificate until we complete the work on the pension fund annual report and WGA return.

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

2019/20 is the first year that Worcestershire County Council has produced group accounts, and reflects the establishment of Worcestershire Children's First, a wholly owned not for profit company, that became operational in October 2019. Our audit approach was based on a thorough understanding of the group's business, is risk based and in particular, included:

- An evaluation of the group's internal controls environment, including its IT systems and controls; and
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we concurred with the Council's view that group accounts were appropriate and conducted the audit on this basis. A separate audit of Worcestershire Children First was completed by Grant Thornton, and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Audit approach (continued)

We have had to alter our audit plan, as communicated to you on 13 March 2020, to reflect our response to the Covid-19 pandemic and a change in the assessment of West Mercia Energy as part of the group boundary. Further details on these changes are given on pages 6 and 9.

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 the Audit and Governance Committee meeting on 2 October 2020, as detailed in Appendix E. These outstanding items include:

- Completion of work on the valuation of the Energy from Waste PFI asset and assets under construction. The work on the valuation of the Energy from Waste PFI is the most significant piece of work outstanding and could impact on the opinion. We are working with officers to resolve this.
- Resolution of McCloud and Goodwin developments
- Receipt of management representation letter (see appendix F); and
- Review of the final set of financial statements.

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	11.8m	11.6m	Materiality has been based on 1.5% of the Authority and Group's gross expenditure
Performance materiality	8.3m	8.1m	Our performance materiality has been set at 70% of our overall materiality
Trivial matters	600k	580k	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties
Materiality for senior officer remuneration	13k	13k	The senior officer remuneration disclosure in the statement of accounts has been identified as an area requiring lower materiality due to its sensitive nature

Significant audit risks

Risks identified in our Audit Plan	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 to have an impact on the production and audit of the financial statements for the year ended 31 March 2020, included and not limited to; • Remote working arrangements and redeployment of staff to critical from 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 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 required 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 have: • 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 on our audit approach. No changes were made to materiality levels previously reported. The draft financial statements were provided on 5 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. • 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 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; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. Our audit work has not identified any significant issues in respect of Covid-19 specific risks. The Council responded well to the challenge of remote working and were able to produce draft financial statements to a broadly similar timetable as in previous years. We are aware that nationally, this is one of the first set of draft financial statements produced and audited.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
The revenue cycle includes fraudulent transactions (rebutted) **This risk relates to the Group and Authority** 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 Authority, 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 • the culture and ethical frameworks of local authorities, including Worcestershire County Council, mean that all forms of fraud are seen as unacceptable.	We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for Worcestershire Pension Fund. Our audit work has not identified any issues in respect of improper revenue recognition.
Management override of controls **This risk relates to the Group and Authority** 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.	We have; • 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 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. Our audit work 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 **This risk relates to the Authority only** The Authority revalues its land and buildings on a rolling basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£510.3m at 31.3.20) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority 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 of material misstatement.	We have: • 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 Council's valuation expert • Written to the valuer to confirm 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 • Engaged our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation • Tested revaluations made during the year to see if they had been input correctly into the Authority's asset register • 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. Subject to the completion of our work in respect of the Energy from Waste PFI asset and assets under construction, our audit work has not identified any issues in respect of valuation of land and buildings. As highlighted previously in the report, we are intending to include an emphasis of matter paragraph in the audit opinion to reflect the uncertainty surrounding asset valuations at year end. In line with RICS guidance, the valuer employed by the Council included a material uncertainty in the final valuation report. Officers reflected this in note 15.10 of the financial statements. The emphasis of matter paragraph refers to this disclosure in the accounts and draws attention to it for the readers of the financial statements. This is in line with other similar local authorities. The additional scrutiny in this area generated a significant volume of queries in this area, and officers were requested to provide further information on how assumptions used could be supported and were appropriate to the circumstances of the Authority. These were all resolved to a satisfactory conclusion. The work from our own valuation expert did not raise any concerns that need to be reported

Significant audit risks

Valuation of pension fund net liability **This risk relates to the Group and Authority** 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 and group accounts. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£465 million in the Authority's balance sheet at 31.3.19) and the sensitivity of the estimate to changes in key assumptions.	We have: • 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 • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing 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. Subject to the completion of our work in respect of the McCloud and Goodwin developments on the gross pension liability, our audit work has not identified any issues in respect of valuation of the net liability.
Preparation of group accounts **This risk relates to the Group and the Authority** Following the transfer of services to the wholly owned subsidiary Worcestershire Children First, the Authority now has a group structure that management believe is likely to require consolidation for the first time. There are a number of logistical challenges that need to be managed, ensuring that any third parties (subsidiaries and subsidiary auditors) involved in the production of the accounts are aware of the arrangements to provide the output of their work in accordance with the closedown timetable.	We have • Reviewed consolidation procedures in place at the Authority, and the Authority's assessment of all entities over which the Authority has control or significant influence and the Authority's subsequent consideration whether or not to consolidate each entity within the group accounts; • Liaised formally with group auditors to enable us to make use of the outcomes of their audit (including their opinion) for our audit opinion on the Authority's group accounts; and • Agreed the final accounts consolidation back to audited financial statements for each subsidiary and joint venture within the group accounts. Our audit work has not identified any issues in respect of the preparation of group accounts.

Significant findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Worcestershire Children First	Grant Thornton	An unqualified audit opinion was issued by Grant Thornton on 30 July 2020. No significant issues were identified.	Our review of the work undertaken has ensured that we have sufficient assurance over the transactions included in the group accounts in respect of Worcestershire Children First.
West Mercia Energy		As outlined in our audit plan, the final position in relation to West Mercia Energy was still being determined. During the course of the audit officers have reviewed the transactions and likely method of consolidation in relation to West Mercia Energy and concluded that this would not be material. Therefore West Mercia Energy has not been consolidated into the group accounts.	The audit team have reviewed the revised assessment of the group boundary and concur with the view of officers that West Mercia Energy does not need to be consolidated on the grounds of materiality.

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
IFRS 16 implementation has been delayed by one year 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	Officers have included narrative around the future accounting standard at note 29.3	Appropriate disclosure has been included within the financial statements.
Dedicated Schools Grant The Council has spent in excess of the DSG funding over the last two years, with the cumulative position at the 31 March 2020 as £6.3m.	We remain of the view that where overspends arise against DSG and are to be carried forward as a call against the schools' budget in future years, these should form part of the un-earmarked general fund. This is because the expenditure is required to be recognised in the year in which it is incurred and forms part of the 'Surplus/Deficit on Provision of Services' within the Comprehensive Income and Expenditure Statement and is therefore accounted for as a charge to the General Fund. The Schools and Early Years Finance Regulations 2020 do not allow for expenditure to be reversed out of the General Fund (i.e. they do not provide for a 'statutory override' creating an unusable reserve) in 2019/20.	The treatment of the overspent DSG balance as a negative reserve is incorrect and we have recorded this as an unadjusted misstatement. CIPFA and the Department for Education have issued a statement confirms that there is no statutory basis for having a negative earmarked DSG reserve. The statement also confirms the guidance in LAAP bulletin 99 Local Authority Reserves and Balances remains extant i.e. it "neither anticipates nor allows for a voluntary earmarked balance to be presented in a deficit position." The Council recognises this is something that is ultimately a further pressure on its financial health should the cumulative overspend not be addressed.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £510m	Other land and buildings comprises £510 million of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The Council has engaged Place Property Partnership to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. 61% of total assets were revalued during 2019/20. The valuation of properties valued by the valuer has resulted in a net decrease of £11.2 million. Management has considered the potential valuation change for those assets revalued in prior years, to determine whether there has been a change in the total value of these properties at 31 March 2020. Management's assessment of asset valuation over this period has identified no material change to the value of these assets. In line with RICS guidance, the Councils valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5.10.	• We have assessed Place Partnership to be competent, capable and objective. • We have carried out completeness and accuracy testing of the underlying information provided to the valuer to determine the estimate and have no issues to report • We confirmed the valuation method remains consistent with the prior year and assessed the reasonableness of the estimates made by management in determining the movement of assets that have not been revalued in the current year. • We have reviewed the disclosures in relation to PPE and made a number of amendments for improvement. • Working papers in relation to valuation have continued to improve from prior years, with working papers available at the start of the audit. Given the enhanced scrutiny in this area, officers need to continue to develop the working papers, particularly in respect of how they have challenged assumptions used by the valuer and why they are confident that the assumptions used are appropriate.	● (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	Auditor commentary
Land and Buildings – Other - £510.3m	We have used Wilks Head & Eve as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:

Area of review	Wilks Head & Eve comment	Audit team follow up	Assessment
Clarity of terms of engagement and instructions.	As part of the process both the 'instructing client' and the Valuer appear to have clearly outlined the proposed process and evidenced that they have the necessary qualifications, experience and knowledge to complete the process effectively.	N/A	● GREEN
Is there a clear rationale/ approach provided to support the valuation methodology adopted for each asset category.	The valuer has adopted an approach in line with expectations.	N/A	● GREEN
Confirmation of MEA assumptions/ principles adopted and that conclusion can be supported. Confirmation that land values adopted in DRC valuations are satisfactorily evidenced.	The valuer has confirmed that the approach is in line with expectations	The audit team have reviewed assumptions and challenged officers how these have been validated.	● GREEN

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £481m	The Council's net pension liability at 31 March 2019 is £481 million (PY £465 million) comprising the Worcestershire Pension Fund Local Government defined benefit pension scheme obligations. The Council uses Mercer 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 £87 million actuarial gain during 2019/20.	• We have assessed the Council's actuary, Mercer, to be competent, capable and objective • We have performed additional tests in relation to the actuary on contribution figures, benefits paid and investment returns to gain assurance over the 2019/20 roll forward calculation carried out by the actuary and have no issues to note	● (green)

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.3%-2.4%	● (green)
Rate of CPI inflation	2.1%	2.1%	● (green)
Salary growth	3.6%	Assumption at a margin above CPI. No significant (0.5%) change from prior year	● (green)
Life expectancy – Males at 65 (current pensioners)	22.6	20.9 to 23.2	● (green)
Life expectancy – Females at 65 (current pensioners)	25.0	24 to 25.8	● (green)
Life expectancy – Males at 65 (future pensioners)	24.2	24 to 25.8	● (green)
Life expectancy – Females at 65 (future pensioners)	27.0	25.9 to 27.7	● (green)

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 – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
Impact of Covid 19 on asset valuations at year end. Given the timing of Covid 19 in relation to the year end of the 31 March 2020, we identified that there would be volatility in both financial and property markets that would increase the uncertainty of assumptions applied by management to asset valuation and the reliability of the evidence we can obtain to corroborate management estimates.	The Council has £1,070.7m of assets disclosed on its balance sheet at year end. Of that £510.3m relates to Land and Building assets. In line with RICS guidance issued in response to the potential market impact of Covid 19 on asset valuations the valuer has included a material uncertainty within his valuation report. Officers have referenced this in note 15.10 of the financial statements. Note 26.2.8 of the financial statements also includes disclose of the volatility of pension fund assets at year end, although this isn't disclosed as a material uncertainty as the Fund have taken steps to review the valuation of assets based on updated information that wasn't available at the time the financial statements were produced.	The audit team agrees with the view of officers and has included an emphasis of matter in its audit report to draw attention to the material uncertainty on the value of assets held at year end. The audit team have reviewed the work of the pension fund auditor and agree that there is no material uncertainty in relation to the Council's share of Worcestershire County Council's pension fund assets used to derive the net pension fund liability recorded in the balance sheet. **Management response** Officers will continue to monitor the potential impact of material uncertainty in the value of assets, and include within the work to assure valuations for 20/21 accounts.
PPE disclosures While the net book value disclosed within the balance sheet has remained unchanged there have been significant revisions to the note that supports this balance within the financial statements.	As identified in Appendix C, there have been substantial revisions to note 15.1 which supports the PPE balance on the balance sheet. In some part, the number of revisions needed are as a result of the increased level of scrutiny that has been placed on this note. While there have been improvements in working papers supporting assets not revalued in year, further work is needed on how balances are presented in the analysis, and that they more closely align with what is included in the Code. In many instances the substance of the transaction is not always considered, with a focus on ensuring the bottom line is correct, rather than accurately reflecting what is happening with the assets over the course of the year. Accurate reporting of the movements on the asset base are complicated, by the structure of the asset register, which is a large and complicated spreadsheet, that has been built onto over the years.	Greater focus is needed on how this note is produced in future years and it should be reviewed by other members of the team to ensure that it accurately presents what has happened to the assets during the year and that it is more closely aligned with the requirements of the Code. **Management response** Officers are undertaking a restructure of the Finance service which includes strengthening of the team that supports the final accounts process which will enable more resources to be dedicated to PPE disclosures.

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
Accounting for Assets Under Construction The draft accounts included a negative addition of £16.5m in relation to assets under construction, which indicated that the classification of capital additions had been incorrectly treated.	We discussed the treatment of Assets Under Construction with officers, who produced a revised note to the accounts. The revised note did not impact on the bottom line, however it demonstrated that for assets under construction, £35m had been added to the balance in year, and that £51.5m of assets had been transferred to operational asset categories. We have completed testing on the revised balances, and of the assets tested identified that there were two assets where project officers had certified the project as complete, however further expenditure had been classified as an asset under construction in 2019/20. Officers have explained that the reason for this is that assets are not included in the asset register on an asset by asset basis instead included as a whole project, and therefore there could be some parts of the project that are operational, and others where some assets are not yet completed. The further costs in 2019/20 tested, form a small part of the overall project, and as explained by project officers are likely to involve retention payments and other small aspects to complete, which is anticipated in capital projects of this nature.	Where projects are certified as operationally complete, there should be no further expenditure classified as asset under construction. The audit team have assessed the potential impact of this misclassification and have determined that the likely value of this would be £2.5m. As this is not material we have agreed with management that this will not be adjusted in the final version of the financial statements. **Management response** Officers will review the process for projects being certified as operationally complete.

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 disclosures

It has been a challenging year due to the Covid-19 pandemic and officers have had to respond quickly to the impact that this has had on the finances of the Council. During the early stages of the pandemic officers were predicting a full year impact of Covid-19 to be a 'worst and unlikely' cost pressure of £49.6m for 2020/21, depending upon the length of impact an matters arising. This has continued to be refined as further announcements have been made by central government and more funding being made available. The most recent monitoring report, supported by Delta Covid-19 financial impact monitoring submissions to MHCLG, has identified that the likely full year impact for the Council for the year 2020/21 will be £8.1m. This will need to be funded from a combination of additional in year savings and contributions from reserves and balances.

While this is a challenging situation, we agree with managements' judgment that no additional disclosures are needed in relation to going concern, as there are in their judgement, no material uncertainties surrounding the Council's adoption of the going concern assumption.

Going concern commentary	Auditor commentary
Management's assessment process The Chief Financial Officer as s151 officer has a reasonable expectation that the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continues to adopt the going concern basis in preparing the financial statements. Management have confirmed that: • they have taken into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue. • no material uncertainties related to events or conditions that cast significant doubt upon the Council's ability to continue as a going concern exist that require disclosure	Going concern is defined as 'the concept that the local authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations' The Council's financial statements are prepared on a going concern basis on the grounds that budgets are in place and are being measured and managed to ensure that liabilities can be met as and when they fall due. A detailed budget for the Council is approved on an annual basis. Regular management reporting is produced for the senior leadership team and then reported to cabinet on at least a quarterly basis. Management have carried out a formal written assessment in respect of the going concern of the Council and have identified: • The Council produce financial plans and budgets for members to approve, which continue into the medium term, • The plans include an assessment of the level of balances and reserves held by the Council, which the Chief Financial Officer considers to be sufficient, • The Council undertake detailed monitoring of the cash position and this has been estimated up to the end of March 2021. A more high level approach is taken for periods beyond that, which looks at cash balances and borrowing. This more high level approach covers the period up until the end of November 2021. This shows the Council have appropriate cash balances to meet its projected liabilities as they arise. As such we concur with managements view that the preparation of accounts on a going concern basis is a reasonable and valid one and there are no indications of material uncertainty.

Significant findings – going concern continued

Going concern commentary	Auditor commentary
Work performed We have reviewed the: • Written assessment provided by management, including the supporting documentation provided, and • The cash flow forecast which covers 12 months from the date of approval of the financial statements.	The written assessment provided by management recognises the normal budgetary setting and monitoring processes in the year, and how these have been enhanced over recent months to model the impact of Covid 19 on the financial position of the Council. This includes the balanced budget set for 2020/21, and future forecasts for the following two years. The Council has a strong track record of delivering it's budget, making only a small deficit of £0.3m during 2019/20. The general fund balance has remained in line with prior years. We note that in delivering the budget for 2019/20, a planned use of reserves was made. Reserves can only be used once, and therefore the level of reserves needs to remain under review, particularly in the current climate. Cash balances remain appropriate, and there is evidence that the Council has sufficient access to borrowing in the short term should this been needed. Our audit did not identify any events or conditions which may cast significant doubt on the going concern assumption.
Concluding comments	We concur with the S151 Officer's view that there are no material uncertainties that would require disclosure under ISA570. On the basis of our work we propose to issue an unmodified opinion for 2019/20 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 and Governance Committee. We have not been made aware of any other 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 has been requested from the Council, including specific representations in respect of the Group, which is appended.
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to all institutions where the Council holds cash or investment balances and those who lend the Council money. This permission was granted and the requests were sent. Of these requests all were returned with positive confirmation, with the exception of two institutions. In both instances they have returned confirmation, but not provided the necessary passwords for the auditor to access this information. We have performed alternative procedures in respect of these investments. • We requested from management permission to send confirmation requests to the pension fund auditor. This permission was granted and the requests were sent. We have received the necessary information from the pension fund auditor.
Disclosures	We have made recommendations to assist the Council in achieving greater compliance with the Code. Where disclosure amendments have been made to the statement of accounts, these are set out in Appendix C.
Audit evidence and explanations/significant difficulties	• All information and explanations requested from management was provided. • There continues to be a positive trajectory in terms of the quality of working papers, however there remain areas where information provided was not 'right first time'. Given the challenging circumstances under which the accounts were audited, this is not particularly surprising, however, further work is needed on ensuring appropriate source documentation is provided in response to queries. The most challenging area remains Property Plant and Equipment, and while working papers on valuations had been improved, other areas, such as assets under construction need an enhanced focus in future years. Both officers and the audit team recognise that this is an improvement journey and that there is a positive trajectory. • While the audit trail from the financial system to the statement of accounts has been improved, the reporting from the finance system still includes large balances of debit and credit items that cannot be stripped from the population for testing. This continues to produce larger sample sizes for testing than we would expect for a Council of this type. This has been raised previously with both officers and members, particularly in light of the impact that this has on the audit fee, however we recognise that this is a function of the financial system that will be difficult to change.

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, 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. Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix E
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
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. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. Note that work is not yet completed and the planned timescale for the work has been agreed with the Council, to ensure that the work will be completed by the statutory deadline.
Certification of the closure of the audit	We do not expect to be able to certify the completion of the 2019/20 audit of Worcestershire County Council in our auditor's report, as detailed in Appendix E due to the following; • Whole of Government Accounts statement • Opinion on the consistency of the pension fund financial statements with the Pension Fund Annual Report

Value for Money

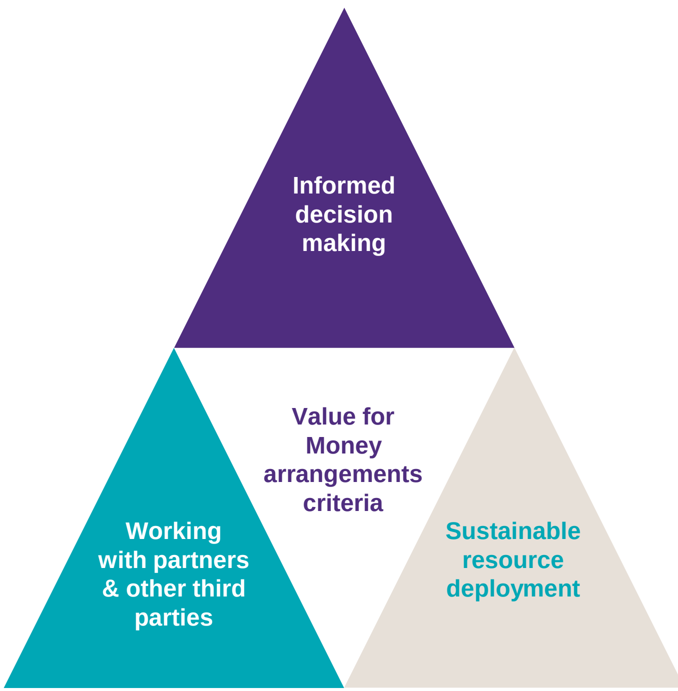
Background to our VFM approach

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 February 2020 and identified one significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 13 March 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 carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks 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:

- The final outturn position for 2019/20 and the work the Council has done towards closing the gap in future years,
- The current financial savings plans of the Council, and the delivery of those savings,
- The arrangements put in place to managed the financial impact of Covid-19 and how these have been reported, and
- The robustness of assumptions in the latest MTFS

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 22 to 25

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.

The text of our report, which confirms this can be found at Appendix E.

Value for Money

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

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

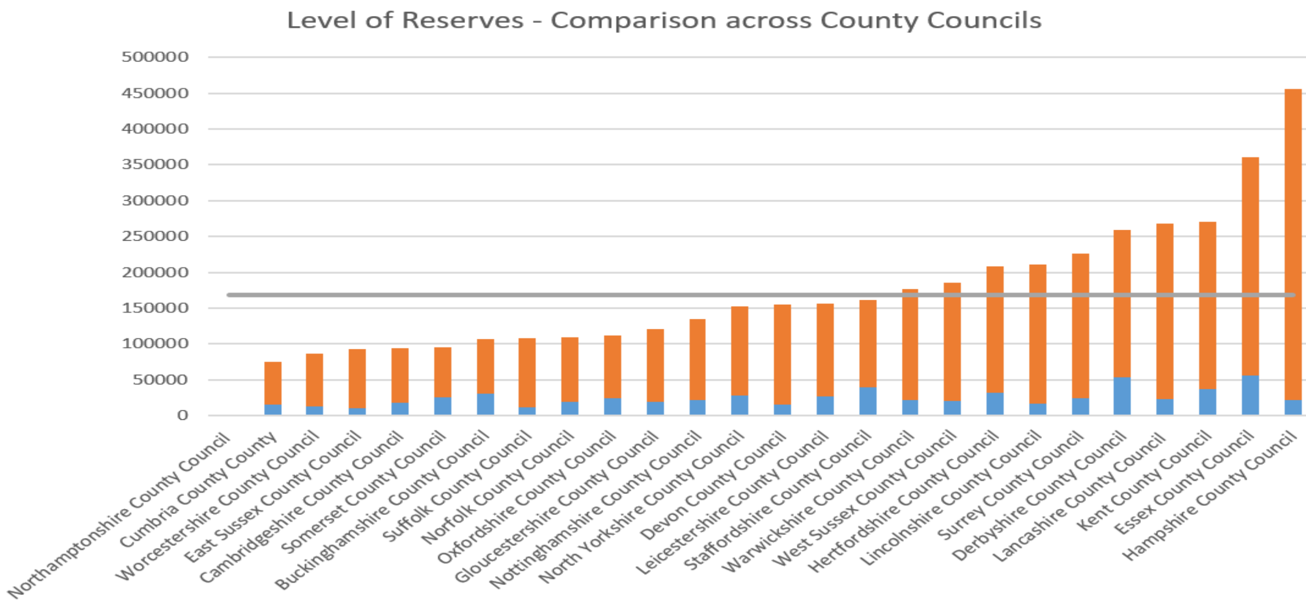
Key findings

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
Future Financial Sustainability Like many other similar local authorities, the financial outlook remains challenging. At Month 8, the Council was forecasting a £3.6 million overspend (1% of the budget).The main area of pressure remains within key demand led services in both adult and children services. In addition pressures have been identified in the current year as a result of the timing of the delivery of the proposed redesign efficiencies. We will: • review the Council's performance against budget for 2019/20 • understand the future savings plans and the achievement of savings in 2019/20 • review the robustness of assumptions in the latest MTFS.	• Historically the Council has a strong track record of meeting its financial targets, and despite a challenging year, the Council have delivered a small deficit of £0.3m compared to a net budget requirement of £330m. This position was only achieved via close monitoring and appropriate management action in year to identify new savings and mitigations to compensate for the fact that not all savings as planned were achieved in year. In addition, it should be noted that this position was achieved with the planned use of reserves, which can only be used once. The Council continues to actively monitor its budget and understand the cost pressures, which continue to be the demand led services for both adults and children. • Whilst the final overall outturn was a £0.3m overspend, this masks overspends in the demand lead areas, although these were not as significant as in prior years. The most significant overspend related to adult services, who reported a £1.6m overspend on a budget of £126m. This compares to an overspend of £12.4m in the prior year. The overspend in adult services had been highlighted as part of the budget monitoring throughout the year, and therefore at outturn was in line with revised expectations, further demonstrating officers understanding of the pressures facing the budget and reporting them appropriately. Overspends have been mitigated by savings in other areas, most notably Community Services and Economy and Infrastructure. • Like many other local authorities, the funding for schools remains a significant challenge. The total schools balances position at year end was a net surplus of £1.4m, a reduction of £4.2m from the prior year. While the Council has plans in place to support the schools in deficit, this reflects the difficulties many schools are having in balancing their budgets. • Dedicated Schools Grant (DSG) continues to be an area for concern, with a cost pressure of £8.7m for high needs. Other areas of DSG funding have underspent to reduce this pressure, however, the net position finished at a £5.6m in-year deficit, increasing the cumulative deficit position to £6.2m. Officers are continuing to lobby central government for a sustainable solution, however at present this deficit represents a call on general fund balances or the need to find further savings from elsewhere in the budget to support this position. • The original savings target included in the 2019/20 budget was £23m. A further review identified additional growth of £5m was needed and this gave a revised target for savings of £28.1m, of which £15.8m has been achieved. (43.8% not achieved). Of the £12.3m not achieved £7.2m has been dealt with through resetting of the base budget in 2020/21, £3.8m of waste savings have been managed through the waste reserve, and the remaining £1.3m has been carried forward to the next financial year	

Value for Money

Significant risk	Findings	Conclusion
Future Financial Sustainability (continued)	• The s151 officer has assessed the level of reserves as appropriate at the most recent budget setting round. At year end, the general fund balance sits at £12.2m. Excluding this general fund balance the council also has £76.3m in earmarked reserves. Removing balances relating to schools of £1.4m and a further £3.2m where the reserves could not be used to support spend, gives an earmarked position of £71.6m which could be used to support services if required. This equates to over 7 times the level of savings needed in 2020/21 and 22% of the budget requirement. • Comparing these reserve balances with other County Council draft financial statements, Worcestershire is towards the bottom end of the scale, with only two other County Councils having a lower level of combined general fund and earmarked reserves (when excluding schools). This is demonstrated in the graph below.	



Source: individual councils' unaudited financial statements for 2019/20 from individual council websites

Please note: these figures do reflect inconsistent treatment of any DSG deficit treatment at individual councils

Value for Money

Significant risk	Findings	Conclusion
Future Financial Sustainability (continued)	• The budget for 2020/21 was set in February 2020. The process considered the amount of income the Council was likely to receive, as well as considering the additional pressures on expenditure. The pressures of both pay and contract inflation were considered as well as the considerations for demand led growth. In addition, the achievability of savings plans was considered, and where appropriate these plans were rebased. Prior to the impact of Covid 19, the Council was predicting funding gaps of £8.2m and £15.8m in the years 2021/22 and 2022/23. • Like many other similar local authorities, the financial outlook remains challenging. Prior to the impact of Covid 19, the Council was predicting funding gaps of £8.2m and £15.8m in the years 2021/22 and 2022/23. The impact of Covid-19 continues to be modelled on a regular basis, with the latest forecast suggesting that this would have an impact of £8.1m for 2020/21, which would need to be financed from a mixture of savings and transfers from reserves. The position remains under constant review, with officers committed to update the MTFP prior to the next budget setting round.	**Auditor view** • While the Council faces a challenging financial position there remain appropriate arrangements in place for managing the budget. • We have concluded that you had good arrangements in place to set a realistic and achievable budget for 2019/20. • We do, however, recognise that not all savings were delivered in 2019/20 and although the initial 2020/21 budget was predicated on a lower level of savings, Covid-19 has made reliable financial planning into the medium term more challenging. • We have concluded that the Council has responded appropriately to the impact of Covid-19 on its medium term financial planning. The Council recognises the inherent risk due to this and the combination of increased demand for services, increased unit costs, greater expectation and continued austerity. Whilst balances and reserves are adequate we note that Worcestershire County Council has less earmarked reserves that the majority of its peers. • Continued close in year monitoring and timely corrective action will be required to ensure budgets are delivered and service redesign with partners implemented. **Management response** The Council will be reviewing its Medium Term Financial Plan over the Autumn in preparation of the consultation of the 2021/22 budget proposals. This will include an assessment of financial sustainability and take account of the latest demand and cost pressures on the Council’s services, and information known at that time around funding from Central Government

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 D

Independence and ethics

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, 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 Teachers Pension Return	4,500	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 £4,500 in comparison to the total fee for the audit of £91,143 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 of the accounts of Worcester Children First	29,750	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 £29,750 in comparison to the total fee for the audit of £91,143 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and therefore there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self Review	Grant Thornton involvement with the Children's Trust is limited to audit. No advisory work to be undertaken. A separate Engagement Lead is in place for the audit of the Children's Trust.
Non-audit related			
CFO Insights	12,500	Self-Interest (because this is a recurring fee)	We have provided subscription services only; any decisions are made independently by the Council. The work is undertaken by a team independent to the audit team. This is the second year of a three year contract.
Contract Assurance	38,750	Self – Interest, self-review, management	This is not considered a significant threat as the fee for this work is not significant in comparison to the total Worcestershire audit fee income. The work to be undertaken is not a recurring fee and it is not contingent based. The output report is designed to capture factual events and is not judgemental. The work is being performed by a team totally separate to the engagement team. The total quantum of savings expected is well below materiality and the Council has informed management who can negotiate appropriately with contractors in respect of the contracts under review. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee None of the services provided are subject to contingent fees.

Action plan

We have identified three recommendations for the group 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
Medium	**Financial statements – working papers** The Council continues to be on a journey to improve working papers to support the financial statements. There have been improvements in some aspects, but there remains the need to focus attention on providing information right first time and with suitable supporting information.	Officers should continue their focus on improving working papers. As in prior years PPE working papers remain those where greatest improvement is needed. Officers should give consideration to whether the current fixed asset register provides information in the most fit for purpose way to produce the disclosures in the financial statements and provide them with suitable management information. **Management response** Recommendation agreed
Medium	**Financial statements – working papers** While the shift to a remote audit has been largely successful, the sheer volume of queries that have gone through email has made the process difficult and time consuming to manage. During the interim audit we explored with officers the ability to use an audit management tool called 'Inflow' which is a package that both the audit team and officers have access to to manage the query process and exchange of working papers. This is widely used throughout our firm on both commercial and PSA audits and is an efficient way of managing the audit process, particularly while auditing remotely. Officers explained that there were barriers to using this from an IT perspective and as a result we have used sharepoint and emails instead.	Explore more fully the barriers to implementing Inflow for the 2020/21 year of audit. **Management response** Officers will work with External Audit to review use of Inflow and optimise within IT ability.
Medium	**VFM – Financial Sustainability**	Continue to review and closely monitor the deliver of the savings plans for 2020/21 and robustly challenge the deliverability of the budget in for future years. **Management response** This will continue to be a focus and will be reported to Cabinet, Scrutiny committees.

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 [insert client name] Council's 2018/19 financial statements, which resulted in four recommendations being reported in our 2018/19 Audit Findings report. We are pleased to report that management have largely implemented our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Financial statements – working papers. While working papers have improved there remain key areas that could be improved, particularly in respect of capital working papers, working papers to support key judgements and in cases where clearer narrative is needed to articulate the views of management. Officers should continue their focus on improving working papers. Working papers should be clear to understand and include all of the necessary information to enable another suitably qualified and experienced person to follow the trail. In a number of cases working papers would benefit from a clearer narrative.	There have continued to be improvements this year however there remain areas where greater improvement is needed. We have highlighted a further recommendation this year, which particularly focuses on PPE working papers and the asset register.
✓	Financial statements – disclosure checklist. The disclosure checklist is a key document for ensuring that the financial statements meet the reporting requirements as set out in the Code. While officers explained that they had used this document as part of the preparation of the draft financial statements, there was limited evidence of this provided to the audit team. Given the number of disclosure omissions identified by the audit team greater focus should be given to this document and its documentation when preparing the draft financial statements in future years. Officers should ensure that the disclosure checklist is appropriately documented when preparing the draft financial statements, with clear referencing and explanations detailing how management consider that the statements comply with the Code	Officers provided greater supporting evidence for the judgements made in completing the disclosure checklist this year. This needs to continue to be maintained in future years.
✓	VFM – Working papers. The working papers provided to support the improvements made to the commissioning arrangements lacked the appropriate level of detail. The final working papers were provided to the audit team in mid July, which placed significant pressure on the timeline to ensure completion by the statutory deadline. The same focus and attention should be given to the working papers to support the VFM conclusion as to those that support the financial statements.	The only significant risk identified in relation to the VFM conclusion this year was in relation to financial sustainability. Working papers provided to support the work in this area were provided in a timely and appropriate way. It is worth noting that the change in the Code next year will result in additional work on VFM and a greater volume of working papers are likely to be needed from officers. We will share our expectations with officers at the earliest opportunity.
✓	VFM – Financial Sustainability Continue to review and closely monitor the delivery of the savings plans for 2019/20 and robustly challenge the deliverability of savings plans for future years.	Our work on the VFM conclusion has not identified any weakness in arrangement for 2019/20, however given the challenges faced by the Council we have continued to include a recommendation in this area.

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

We have not identified any adjusted misstatements that impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which has not been made within the final set of financial statements. The Audit and Governance 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 accounts include a negative earmarked reserve in relation to overspends of Dedicated Schools Grant (DSG) of £6.3m. We remain of the view that where overspends arise against DSG and are to be carried forward as a call against the schools' budget in future years, these should form part of the un-earmarked general fund. This is because the expenditure is required to be recognised in the year in which it is incurred and forms part of the 'Surplus / Deficit on Provision of Services' within the Comprehensive Income and Expenditure Statement and is therefore accounted for as a charge to General Fund. The Schools & Early Years Finance Regulations 2020 regulations do not allow for expenditure to be reversed out of the General Fund (i.e. they do not provide for a 'statutory override' creating an unusable reserve) in 2019/20.	Nil	£6.1m – Classification	Nil	The Council's view is not the same as that of the auditor, however the matter is not material and therefore non-adjustment does not impact on the audit opinion.
The assets under construction balance of £48.6m, includes £2.5m where the schemes are operationally complete. These balances should have been transferred to operational categories	Nil	£2.5m – Classification	Nil	Not material
Overall impact	**Nil**	**£8.6m - Classification**	**Nil**	

Audit adjustments

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 or misclassification	Detail	Adjusted
Presentation and disclosure	Our review of the accounts highlighted minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with officers and changes have been made to the draft accounts submitted for audit. Examples include; • Financial Instruments, note 17 had not been updated for the current year PFI liabilities, this should be £171.4m and not £178.8m • The narrative in note 8 for the better care fund needs to be updated from £36m to £28.8m • Note 4 (Adjustments between funding and accounting basis), the sign for Finance, HR & Chief Executive needs to change to ensure the table casts correctly • Note 16.4 (Value of assets and liabilities under PFI contracts), the final column does not cast correctly, this should be £192.5m rather than the £196.5 currently shown • Note 15.1 – The value disclosed as 'depreciation written out to the Revaluation Reserve' should be disclosed as 'Other movements in depreciation and impairment'	✓
Disclosure – Post balance sheet events	The draft financial statements excluded a Post balance sheet event disclosure in relation to the impact of Covid-19. This should be included as a non adjusting post balance sheet event and should reflect upon the uncertainties surrounding the financial impact of Covid-19 on the Council	✓
Misclassification – Note 15.1 PPE Movements – Additions	The additions line in the financial statements included £16.5m of negative additions classified as assets under construction. This had the impact of overstating the additions in the categories of land and buildings, vehicles, plant and equipment, and infrastructure assets. The revised additions in these categories are £2.6m, £5.8m and £46.9m respectively. A separate line has now been added to this note to show the movements from assets under construction to operational assets, with £51.5m now being transferred from Assets under Construction to the categories of land and buildings, vehicles, plant and equipment and infrastructure assets.	✓
Misclassification – Note 15.1 PPE Movements - Disposals	The figure for disposals of £30.9m includes REFCUS (on AUC in error) and Corrections (errors) noted from a recent review of the FAR. These consist of adjustments or restatements rather than actual disposals. As per the Code guidance it was noted that "derecognition - other" would be a better classification for these items. The 7.463m for REFCUS (on AUC in error) and Corrections per the disposals listing are be moved to this line. This was also the case for an additional 2.2m adjustments balance.	✓
Misclassification – Note 15.1 PPE Movements – Split of revaluations	The figure for PPE revaluation decrease in the reval reserve should be (4.3m), while the figure for PPE revaluation decreases in the surplus/deficit on provision of services should be (6.9m). This occurs again on the Depreciation lines for "depreciation written out to the reval reserve".	✓

Audit adjustments

Misclassification and disclosure changes continued

Disclosure or misclassification	Detail	Adjusted
Misclassification – Note 15.2 PPE Revaluations	It was noted that the PPL valuations report did not include a totals line. The value given for assets revalued in year was 310m, per Note 15.2. However, after transposing the PPL valuation report to excel, it transpired the value PPL revalued in year was in fact 314m. Three assets that were revalued by PPL had been excluded for the assets revalued column and included in the assets not revalued column instead. Therefore the value disclosed of 310m was incorrect and Note 15.2 needs to be amended.	✓
Misclassification – CIES and notes 5 and 6	Notes 5 and 6 were amended by the client during the course of the audit. This was as a result of the processing of a late journal - 1 entry of £4.854m re Business Rates Pool within C2FS001. The affected figures include Fees and Charges income in Note 5, which has changed from 106.3m to 111.2m. The variance totals 4.8m and agrees to the late journal posting. Note 6 Fees and Charges income changed from 114.1m to 118.9m, Note 6 Other Services Expenditure has changed from 491.2m to 495.7m, while Other has changed from 29.9m to 30.2m. The total variance over these two lines comes to 4.8m which relates to the late journal posting. The amendments above feed through to the CIES "FInance, HR and Chief Executive" line. This has been amended from 24m for both Expenditure and Net (nil income disclosed for this line) to 28.5m Expenditure, -4.5m Income (this still results in a net total of 24m which has not changed). Therefore the total of the CIES Net Cost of Services has gone from 790.8m total expenditure to 795.3m total expenditure and income has gone from -409.6m to -414.1m (The net total of 381.2m has not changed). This also feeds through to the (Surplus)/Deficit on the provision of Services expenditure and Income lines changing from 879.4m to 883.9m and -863.3m to -867.8m respectively (the net total of 16.1m has not changed).	✓
Disclosure - Group Cash Flow statement	Adjust net (surplus) / deficit for non cash movements is currently £129.7m - this should be £132.0m and The net cash flow from operating activities currently is £26.6m - this should be £28.9m.	✓
Disclosure – Note 25 Officers' remuneration	Interim Director of People - Pension Contributions is misstated as £8,240, it should be £7,509.	✓
Disclosure – Note 15.1 PPE Movements	£3.1m is shown in the restatement line against PFI assets included in PPE. This should have been shown in the opening PFI balance.	✓
Disclosure – Note 15.10 Assumptions made about the future and estimation uncertainties	Officers have included an estimation uncertainty in relation to the estimated useful life of assets. A sensitivity range has not been included as required by the Code.	✓

Audit adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Reason for not adjusting
The Council have incorrectly accounted for capital grants unapplied. The necessary adjustment should be made via the MIRS and should not impact on the amount of income recognised in the CIES under proper accounting principles. The impact of this is understate the income on the CIES by £6.1m. Given the impact on the CIES, MIRS and associated supporting notes and the value below materiality, the Council have declined to amend for this error. The audit team agree with this view.	The balance is not material

Fees

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

Audit fees	Proposed fee as per audit plan	Final fee
Council Audit	£91,143	TBC
Total audit fees (excluding VAT)	**£91,143**	**TBC**

The Audit Plan presented in March included £17,650 in addition to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator. This is reflected in the proposed fee above. Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid 19. We are discussing with PSAA and Finance officers the impact that this may have on the final fee.

The fees reconcile to the financial statements as per the reconciliation below;

- fees per financial statements £82k
- reconciling item (£4k) TPA grant certification in 2018/19
- This reconciles to the scale fee above which is the proposed fee in the audit plan of £91,143k less the additional fee proposed of £17,650.

The audit fee note also highlights the fees payable for the work on CFO insights of £12,500, which is disclosed below as non audit services.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Certification of teachers' pension return	4,500	4,500
Non- Audit Related Services – CFO Insights	12,500	12,500
Total non- audit fees (excluding VAT)	**£17,000**	**£17,000**

Audit opinion

We anticipate we will provide the Group with an unqualified audit report that includes a Emphasis of Matter

Independent auditor's report to the members of Worcestershire County Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Worcestershire County Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement the Group Balance Sheet and the Group Cash Flow 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 Chief Financial Officer 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.

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 Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer 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.

Audit opinion

In our evaluation of the Chief Financial Officer's 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 15.10 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2020. As, disclosed in note 15.10 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. 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 Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Annual Financial Report and Statement of Accounts, other than the Authority and group financial statements and, our auditor's report thereon and our auditor's report on the pension fund financial statements. 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.

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 Annual Financial Report and 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.

Audit opinion

- 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 Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 24 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 Chief Financial Officer. The Chief Financial Officer 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 Chief Financial Officer 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 Chief Financial Officer 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 and Governance 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.

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

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, 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.

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.

Audit opinion

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 - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Annual Financial Report and Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2020. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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.

Peter Barber, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

xx October 2020

Management letter of representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Worcestershire County Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Worcestershire County Council and its subsidiary undertaking, Worcestershire Children First for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

Management letter of representation

xi. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 2nd October 2020.

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