

The Audit Findings (ISA260) Report for Ryedale District Council

Year ended 31 March 2020

14 October 2020



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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.

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1. Headlines

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

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council from March 2020. Given the impact of the pandemic only started from mid-March, additional costs have not had a major impact on the financial outturn for 2019-20, however, the scale of impact is being felt during 2020-21.</p> <p>There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced activities including leisure services and car parking. In addition, council tax and business rates income have reduced as lock down started, businesses closed, and staff furloughed.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Practice on Local Authority Accounting 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.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 22 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.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely, including remotely accessing working papers and financial systems. In addition, meetings have been replaced by telephone and video conferencing arrangements</p> <p>We were provided with the Council's draft 2019-20 statement of accounts on 8 July 2020, ahead of the revised 31 August 2020 deadline.</p>
Financial Statements	<p>Under International Standards of Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and Council's income and expenditure for the year • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July to October 2020. Our findings are summarised on the following pages.</p> <p>We have identified some disclosure amendments to the financial statements which are reported at Appendix C.</p> <p>These are all disclosure amendments and do not impact on the Council's General Fund position. Further details of the audit disclosure amendments are detailed at Appendix C. We have also raised recommendations for management as a result of our audit work at Appendix A. Our follow up of recommendations from the prior year's audit are detailed at Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters:</p> <ul style="list-style-type: none"> • completing our work on PPE, pension fund assets and liabilities, payables and receivables, related party transactions and statement of cash flow • the assurance letter from the auditor of North Yorkshire Pension Fund to give assurance over the significant risk area of pensions

Financial Statements continued

- completion of our internal quality review processes, including final reviews of the file by both the manager and engagement lead, specifically in respect of significant audit risks of land and buildings revaluations and the valuation of pension fund liability
- reviewing the final version of the financial statements, narrative report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

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

Our anticipated audit report opinion will be unqualified with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of other land buildings and investment properties as a direct impact of Covid-19. This is due to the Council's valuers reporting a material uncertainty in their valuation reports and also being reported in the Council's financial statements. This is a consistent finding across our local authority audits.

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 the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The VFM risk identified at the planning stage of our audit was embedding risk management and financial monitoring arrangements to support informed decision making. We have not identified any new VFM risks in relation to Covid-19. Based on improvements we have noted in the Council's arrangements, we anticipate issuing a 'clean' unqualified value for money conclusion, as detailed at Appendix E. This is an improved outcome compared to our qualified 'except for' VFM conclusion in the prior year. Our findings are summarised on section three of this report.

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 our work under the Code. Once all the outstanding work noted on pages 3 and 4 are satisfactorily completed, we anticipate certifying the completion of the audit when we issue our audit opinion following the approval of the accounts by Policy and Resources Committee on 12 November 2020.

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.

2. Financial statements - Audit approach

Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

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

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

We have had to alter our Audit Plan, as communicated to you on 22 April 2020, to reflect our response to the Covid-19 pandemic.

Conclusion

We have substantially completed our audit of your financial statements. Subject to the outstanding queries being resolved, we anticipate issuing an unqualified audit opinion including an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of other land and buildings and investment properties as a direct impact of Covid-19. This is detailed at Appendix E.

The outstanding items include:

- completing our work on PPE, pension fund assets and liabilities, payables and receivables, related party transactions and statement of cash flow
- completion of our internal quality review processes, including final reviews of the file by both the manager and engagement lead, specifically in respect of significant audit risks of land and buildings revaluations and the valuation of pension fund liability
- assurance from the North Yorkshire Pension Fund auditor on the 2019-20 Pension Fund accounts
- reviewing the final version of the financial statements, Narrative report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

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 and Audit Plan Addendum.

Materiality area	Council Amount (£)	Qualitative factors considered:
Materiality for the financial statements	400,000	Materiality has been based on 1.8% of the Authority's gross expenditure
Performance materiality	300,000	Our performance materiality has been set at 75% of our overall materiality
Trivial matters	20,000	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 specific transactions, balances or disclosures	5,000	The senior officer remuneration disclosure in the Statement of Accounts has been identified as an area requiring a lower materiality due to its sensitive nature.

Significant audit risks

Risks identified in our addendum to the Audit Plan

April 2020

Auditor commentary

Covid- 19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our work we:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported.
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic
- evaluated whether sufficient audit evidence could be obtained through remote technology
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

On the basis of our work, we concluded that our anticipated audit report opinion would be unqualified with an emphasis of matter relating to the material uncertainty around the valuation of other and buildings and investment properties. Note that this change to our opinion is a direct result of the impact of Covid-19. The reporting of a material uncertainty on the valuation of land and buildings is consistent across our local authority audits.

Significant audit risks

Risks identified in our Audit Plan – January 2020	Auditor commentary
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>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:</p> <ul style="list-style-type: none"> • 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 at Ryedale District Council, mean that all forms of fraud are seen as unacceptable. 	<p>We reviewed our rebuttal of this risk during the final accounts audit and concluded our assessment as detailed in the Audit Plan was still appropriate.</p> <p>As we did not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work has not identified any issues in respect of management override of controls.</p>

Significant audit risks

Risks identified in our Audit Plan – January 2020 and April 2020

Auditor commentary

Valuation of land and buildings

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (c£15 million) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's 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.

Update April 2020: The covid-19 pandemic has resulted in the volatility of financial and property markets. This will increase the uncertainty of assumptions applied by management to asset valuations.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our audit work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings are not materially misstated and evaluated the design of the associated controls
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding,
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register in line with LG Code guidance.
- evaluated the assumptions made by management
- evaluated whether sufficient audit evidence can be obtained due to Covid-19 impact to corroborate significant management estimates around land and buildings.

Whilst our audit work remains on-going, our audit work to date has not identified any issues in respect of the valuation of land and buildings (including investment properties), except for the following matters:

The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in note 4 to the financial statements under assumptions made about the future and other major sources of estimation uncertainty. The valuer has also indicated that the less certainty and higher degree of caution should be attached to their valuations. Therefore, we consider it appropriate to include an emphasis of matter in our audit opinion relating to this material uncertainty. It is important to note that this is a national issue, applying to most local authorities with material land and building asset bases.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in the balance sheet as the retirement benefit obligations, represents a significant estimate in the financial statements.</p> <p>The Council's pension fund net liability is considered a significant estimate due to the size of the numbers involved (31 March 2019: £15.7m in the balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>As part of our work, we have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtained assurances from the auditor of the North Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>In a new area of focus for our 2019-20 audit we:</p> <ul style="list-style-type: none"> • obtained assurances regarding the material experience items. These are material pension related figures that relate to the impact of correcting the estimates made in the years between the triennial revaluations of the pension fund. <p>Our audit work on the pension fund net liability is nearing completion.</p> <p>As a result of the pension fund balance being a significant audit risk, we need to be satisfied that we have sufficient and appropriate audit evidence over these material entries. As such we will need to closely consider the updated information that we receive from the actuary and Pension Fund. We also need to review the contents of the assurance from the auditors of the North Yorkshire Pension Fund audit. We are expecting to receive this from the Pension Fund auditors by the end of October.</p>

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Other Land and Buildings - £15.3m Investment Properties - £2.2m	<p>Other Land and Buildings : Other land and buildings (note 14 to the financial statements) comprises specialised assets, such as swimming pools, 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.</p> <p>The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged an external RICS qualified valuer to complete the valuation of these properties on a five yearly cyclical basis. A total of 40% of total assets were revalued during 2019-20 and the valuation date was 31 March 2020.</p> <p>Management's assessment of assets not revalued in year and assets revalued during the year has identified no material change to the properties current value compared to it's carrying value as at 31 March 2019.</p> <p>Investment Properties : All investment properties (note 16 to the financial statements) have been valued as at 31 March 2020 at fair value based on the highest and best use of value of the asset from market participant perspective. The fair value hierarchy and valuation techniques used to determine fair value of investment properties are further disclosed in note 16 to the accounts.</p>	<p>As part of our audit, we performed the following procedures to ensure the estimates used and key judgements applied when valuing the land and buildings and investment properties are prudent and reasonable, including:</p> <ul style="list-style-type: none"> • Assessment of management's expert (external RICS qualified valuers) • Completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method as relevant. There were no significant changes to the valuation method • Consistency of estimate used • Reasonableness of the movement in the estimate • Adequacy of disclosure of estimate in the financial statements • Reperforming the land and building assets not revalued during 2019-20 using Gerald Eve indices and we have not identified any material variations from management estimates. <p>The Council's valuation specialists for both land and buildings and investment properties have included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in note 4 to the financial statements under assumptions made about the future and other major sources of estimation uncertainty. The valuers have also indicated that there is less certainty and a higher degree of caution should be attached to their valuations.</p> <p>Therefore, we consider it appropriate to include an emphasis of matter in our audit opinion relating to this material uncertainty. It is important to note that this is a national issue, applying to all local authorities with material land and building asset bases.</p>	 Green

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
Net pension liability – £5.4m	<p>The Authority's net pension liability at 31 March 2020 is £13.2m (PY £15.7m) comprising the North Yorkshire Local Government defined benefit pension scheme obligations. The Authority uses AoN to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £2.5m net actuarial movement during 2019-20.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed management's expert Assessed the actuary's roll forward approach and deemed it reasonable Used PwC as our auditors expert to assess the actuary and assumptions made by actuary 																									
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.30%</td> <td>2.30%</td> <td>● Green</td> </tr> <tr> <td>Pension increase rate</td> <td>2.00%</td> <td>2.10% - 1.90%</td> <td>● Green</td> </tr> <tr> <td>Salary growth</td> <td>3.25%</td> <td>Value is in line with PWC report</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>23.5 21.8</td> <td>22.5 – 24.7 20.8 – 23.0</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.7 23.9</td> <td>25.0 – 27.2 23.5 – 25.5</td> <td>● Green</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.30%	2.30%	● Green	Pension increase rate	2.00%	2.10% - 1.90%	● Green	Salary growth	3.25%	Value is in line with PWC report	● Green	Life expectancy – Males currently aged 45 / 65	23.5 21.8	22.5 – 24.7 20.8 – 23.0	● Green	Life expectancy – Females currently aged 45 / 65	25.7 23.9	25.0 – 27.2 23.5 – 25.5	● Green	
Assumption	Actuary Value	PwC range	Assessment																								
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		<ul style="list-style-type: none"> Confirmed the completeness and accuracy of the underlying information used to determine the estimate Confirmed the reasonableness of the Authority's share of LGPS pension assets. Confirmed the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from the actuary. 																									
		Our work in this area is still in progress, including the assurance from the Pension Fund auditor.																									

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Green

Significant findings – Going Concern

Our responsibility

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

Going concern commentary	Auditor commentary
<p>Management's assessment process</p> <p>Management has an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, savings required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance now reported to Members on a quarterly basis. Cash flow is also monitored as part of the Council's treasury management arrangements.</p> <p>Before the Covid-19 pandemic, the Council approved a 4 year financial strategy from 2020-24 in October 2019. The Covid-19 pandemic has had a considerable impact on the Council's finances from March 2020. The updated MTFS is in the process of being finalised and will be going to the Policy and Resources Committee on 12 November.</p> <p>In assessing its going concern position, management look ahead twelve months from the accounts are approved and have regard to its future cash flow position including whether current spending is in accordance with budget. At the time of this report, management is updating its' MTFS with a view to presenting this at the Policy and Resources Committee on 12 November 2020.</p>	<ul style="list-style-type: none"> • Following its review of going concern, management has concluded it remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis • The Council set a balanced budget for 2019-20 which was approved by the Council in February 2019. This included planned savings of £528k which was included in the balanced budget. The Council achieved these savings and delivered the 2019-20 budget with a £32k underspend which was transferred to the general fund reserves. The general fund reserve at 31 March 2020 was £15.8m. This was an increase of £0.8m from the prior year. • Before the Covid-19 pandemic, the Council set a balanced net revenue budget of £8.3m for 2020-21 with a savings requirement of £434k. It has to be noted that the Council has general fund reserves which are nearly double its annual revenue budget and is in a relatively healthier financial position than many local authorities at this time, which strengthens the going concern assessment. • Whilst the Covid-19 pandemic did not have a significant impact on the Council's 2019-20 financial performance (given it occurred mid way through March 2020, the scale of impact is being felt during 2020-21 through additional costs to support operational services, lost income through reduced Council activities such as leisure and car parking. • In addition, council tax payments and business rates payments have reduced as lock down continued, businesses closed and businesses furloughed staff. In it's latest publicly reported forecast in September 2020, the Council currently estimates the impact of Covid-19 for 2020-21 to be 2.9m. However, discussions with the s151 officer indicates this is now reduced to £2.7m. The Council has received grants from Central Government of £0.7m which will be used to offset the additional Covid-19 costs for 2020-21. In addition to this, the Council set aside £0.3m of its reserves to further mitigate the impact of Covid. As at the date of this report, the Council has a residual latest funding gap of £1.7m for 2020-21. This is consistent with Council's latest Quarter 1 results up to June 2020, which indicated a £1.8m deficit as at end of March 2021. • Discussions with the s151 officer note that the projected £1.8m deficit will be covered by the use of general fund reserves. This proposal has been agreed by Members.

Significant findings – going concern

Going concern commentary

Work performed

We considered management's going concern assessment including the assumptions used and consideration of its Medium Term Financial Strategy.

Auditor commentary

- The s151 officer routinely monitors the Council's financial position and reports regularly to the Council. This is an improved arrangement and one that has led to the proposed improved VFM conclusion as set out in section three of this report. The revised MTFS covering 2021-22 and capturing Covid-19 impact is currently being finalised and will be reported to Policy and Resources Committee on 12 November for approval.
- We are aware the Council is currently updating its' MTFS with a view to presenting this to the Policy and Resources Committee on 12 November for approval. The s151 officer has agreed to share this document with us in advance of 12 November in order for us to consider this as part of our audit completion steps. We will provide a verbal update to Members on 12 November for any significant issues arising from our consideration of this document.
- As part of our going concern review, we have assessed the remaining general fund reserves balances as at 31 March 2020. It has to be noted the Council has general fund reserves which are nearly double its annual revenue budget and is in a relatively reasonable financial position than many other local authorities. Whilst Covid-19 pandemic has undoubtedly brought in unexpected medium to longer term financial challenges to the Council, its current going concern assumptions have been strengthened by this relatively healthy level of general fund reserves. When we consider the net annual budget at the Council (£c8.2m) and compare that with additional Covid -19 costs and loss revenue 12 months from accounts audit opinion, there are sufficient general funds available for the period covered by a going concern assessment.
- However, it is important to note that reserves can only be used once to cover financial challenges. The routine budget monitoring against financial plans including the savings plan delivery, taking actions on budget variations, regularly reporting to Members, and working with MHCLG and other government departments are vital controls and arrangements that should be continued in 2020-21 and beyond. We have made a recommendation on this at Appendix A. **[Rec 3]**
- Our work confirmed the management's arrangements for assessing going concern are adequate and management's use of the going concern basis of preparation is reasonable.
- Overall, we have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern from 12 months from date of issuing the audit opinion.

Concluding comments

Concluding comments

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 Finance Officer (s151) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer (s151) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about 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.

We are satisfied with management's assessment that the going concern basis is appropriate for the 2019-20 financial statements.

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 discussed the risk of fraud with the Chief Financial Officer (s151) and have also written to the Chair of the Audit Committee. We have not been made aware of any material incidents in the year and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed based on our work undertaken to date.
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 which is included at Appendix F and in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bank . This permission was granted and the confirmation has been received.
Disclosures	Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix B.
Audit evidence and explanations / significant difficulties	<p>All information and explanations requested from management was provided, acknowledging the fact officers were also working remotely and time taken to provide audit information is taking more time than normal circumstances before the Covid-19 pandemic started. In order to complete our audit, we will continue to work with management in order to obtain reasonable assurances on the outstanding matters included on page 3.</p> <p>Given some element of remote/home working is likely to still be in place for the 2020-21 audit, we will be discussing with the finance team how we can continue to work together to mitigate any remote working challenges next year.</p> <p>We would like to record our thanks to the finance team in providing the information requested despite the challenges of remote working resulting from Covid-19.</p>

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our review of the AGS identified a small number of areas for enhanced disclosure. The Council has accepted our findings on the AGS and a revised version is due to be presented to the Overview and Scrutiny Committee on 21 October 2020.</p> <p>Our review of the Narrative Report also identified some areas for enhanced disclosure. The Council has agreed to update its Narrative Report to take into account our comments.</p> <p>Subject to satisfactory receipt and review of the revised AGS and Narrative Report taking into account our comments, we plan to issue an unmodified opinion in this respect – please see our proposed audit opinion at Appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>Following the updating of the AGS and Narrative report referred to above, we have nothing to report by exception on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>This work is not required as the Council does not exceed the threshold set by the NAO for such specified procedures.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019-20 audit of the Council in the audit opinion, as detailed at Appendix E.</p>

3. Value for Money

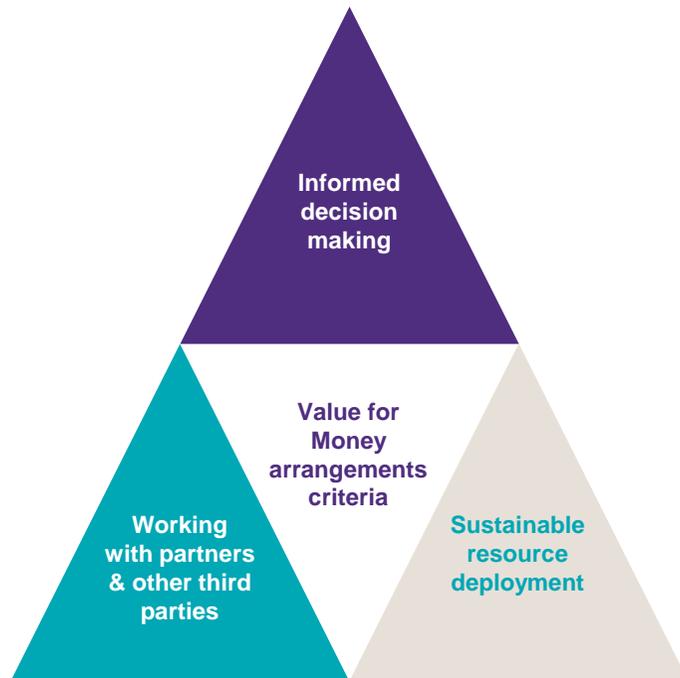
Background to our VFM approach

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

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

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

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



Risk assessment

We carried out an initial risk assessment in January 2020 and identified one significant risk (see page 17) 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 January 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Value for Money

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 consideration was the following significant risk:

Embedding risk management and financial monitoring arrangements to support informed decision making

We reported this significant Value for Money (VFM) risk in our Audit Plan reported to the Overview and Scrutiny Committee in January 2020. Further to our Audit Plan, our continued risk assessment process has not identified any additional VFM significant risks.

We also reported that there are no VFM risks arising due to Covid-19 pandemic for 2019-20, in our addendum to the Audit Plan issued in April 2020.

We have set out more detail the risk we identified, the results of the work we performed, and the conclusion we drew from this work on page 18.

Overall conclusion

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

This represents an improved outcome for the Council following last year's qualified 'except for' conclusion that was issued in July 2019.

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

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.

Significant risk per our Audit Plan (January 2020)	Findings	Conclusion
<p>Embedding risk management and financial monitoring arrangements to support informed decision making</p> <p>In 2018-19, our work identified that risk management and governance arrangements were not sufficiently embedded and as a result, we issued an 'except for' qualified VFM conclusion in relation to 'informed decision making' VFM criteria.</p> <p>Whilst positive progress had been made to the Council's arrangements in these areas during 2018-19, following the recognition of the issues by the new Senior Management Team, the revised arrangements had not been in place for the duration of 2018-19 and were therefore not embedded.</p> <p>We noted in our 2018-19 Annual Audit Letter that embedding the enhanced arrangements for risk management, financial monitoring and governance continued to be key priorities for the Council in order to support informed decision making in 2019-20 and beyond.</p> <p>As part of our VFM work, we will:</p> <ul style="list-style-type: none"> continue to consider the arrangements, governance structures and internal monitoring processes in place at the Council continue to meet with senior management and Internal Audit to discuss the progress the Council is making around risk management and financial monitoring, for example, reviewing the reporting of the Council's performance against its budget and any level of variances consider how the Council is addressing our 2018-19 audit recommendations on embedding risk management and monitoring arrangements to support informed decision making observe the discussion and level of challenge on governance and risk management issues which take place at the Overview and Scrutiny Committee consider timely financial reporting around Council's financial performance to relevant committees. 	<p>Our focus in this area was around arrangements in place to embed risk management and monitoring arrangements to secure economy, efficiency and effectiveness in Council's use of resources. Our findings were as follows:</p> <ul style="list-style-type: none"> Council's performance against the budget is now a standing agenda item at both Policy and Resources Committee (PRC) and Overview and Scrutiny Committee (OSC) meetings. It covers the budget, the actuals to that quarter, variations to budget, reasons for the variations and final predicted forecast for the year. It also covers the savings against the plan. Council's performance against the Capital Programme is also reported in the same report to relevant Committees covering the budget against the actual and reasons for any variations. The outturn for the year is reported to the Council and relevant Committees covering the annual budget against the variations with detail commentaries for variations and associated actions. As noted in our 2018-19 Audit Finding Report, a Strategic Risk Register (SRR) was formulated, introduced and reported to the Audit and Scrutiny Committee in January 2019. Our work in 2019-20 identified that an updated risk register is also a standard item in Committee Reporting. This work has been recognised and endorsed by Members who see it as an important part of the Council's risk management and improvement strategy. The updating of the SRR during 2019-20 has demonstrated the Council's improvement journey, showing how risks are being managed and mitigated over that period. However, risk management is an ongoing process, and management are aware that the SRR it is a live document that needs to be routinely reviewed, updated and reported to those charged with governance. Our reviews indicated that the SRR covers detail description of the actual risk, risk owner, causes of risks, consequences if it materialises, proactive and reactive controls and mitigation actions required. Covid -19 response: The Council was pro-active in terms of its Covid-19 response and its first report to Policy and Resources Committee was made on 19 March 2020, just prior to the national lockdown. The report outlined the approach to service delivery during Covid-19, noted the delegated powers held by the Chief Executive which can be used in an emergency, and recommended that Council's endorsement of a budget of £250,000 being made available from general fund reserves to support the responses immediately. This is also an indication of how the Authority has progressed embedding risk management and financial monitoring arrangements to support informed decision making and responding to key risks facing the Council. 	<p>We concluded that the Council has proper arrangements in place for embedding risk management and financial monitoring arrangements to support informed decision making.</p> <p>Our overall conclusion on VFM is reported at page 17.</p>

4. 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 included at Appendix D

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.

	Fees £	Threats identified	Safeguards
Audit related:			
Certification of Housing Benefits Subsidy return	*11,500 base fee (see Note 1 below)	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 £11,500 base fee in comparison to the total fee for the audit of £44,706 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
Chief Finance Officer Insights and Place Analytics subscription	3,840	Self-Interest (because this is a subscription)	This service is provided by a separate team within Grant Thornton UK LLP. There is no exchange of information relating to the audit between the two teams and therefore no impairment of auditor independence. The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,840 per annum in comparison to the total fee for the audit of £44,706 and in particular relative to Grant Thornton UK LLP's turnover overall.

Note 1:

* The £11,500 is the base fee for Housing Benefit Subsidy certification plus for each 40+ testing undertaken:

£2,200 – where the work is completed by the Council

£4,200 – where the work is undertaken by Grant Thornton

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings (ISA260) report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

We have not provided any other services to the Council in 2019-20

Appendix A: Action Plan

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

Assessment	Issue and risk	Recommendations
<p>●</p> <p>High</p>	<p>1. Regular meetings of Overview and Scrutiny Committee:</p> <p>Our cumulative audit knowledge and experience during 2020 has highlighted that last Overview and Scrutiny Committee meeting was held on 23 January 2020. We understand other Committee meetings were held since March 2020 lockdown including the full Council and Policy and Resources Committee meetings. These were held as virtual or actual physical meetings to discuss key governance and risk management matters facing the Council.</p> <p>However, the Council could not reconvene the Overview and Scrutiny Committee where external and internal auditors are attending and reporting on a regular basis.</p> <p>Whilst we understand the Council has responded to Covid-19 pandemic in a timely and proactive manner since March 2020, importance of Overview and Scrutiny Committee and its' contributions are vital part of Council's governance, internal controls and risk management framework. Failure to meet regularly as a Committee may adversely impact the Council's governance, internal controls and risk management framework in the future.</p>	<p>With the objective of continuous operation and improvement of governance, internal controls and risk management of the Council, management and Members need to ensure that regular meetings of Overview and Scrutiny (& Audit) Committee are held in the remainder of 2020-21 and beyond.</p> <p>Management response, responsible officer and implementation date:</p> <p>Committee meetings have now resumed and the first Overview and Scrutiny meeting was held (virtually – with 100% attendance) on 1 October 2020. Further meetings are scheduled as below:</p> <p>22 Oct 2020 19 Nov 2020 21 Jan 2021 11 Feb 2021 25 March 2021</p> <p>Anton Hodge, Chief Finance Officer (s151)</p>

Appendix A: Action Plan

Assessment	Issue and risk	Recommendations
<p> Medium</p>	<p>2. Accuracy and completeness of Aged Debtors listing:</p> <p>As part of our testing of the year end debtor balance, we identified some instances where cash had been received before the year end however, the original debtor balance in the aged debtors listing had not been updated correctly at the year end.</p> <p>However, on further investigation we noted that cash receipts had been posted to a relevant ledger code that would reduce the overall debtor balance at the year end resulting in the Council reporting the correct total debtors (receivables) at the year end.</p> <p>Though the overall impact is £nil for total debtors, identifying who actually owes the Council at a cut off date with the amount owed is important for timely debt collection.</p>	<p>We recommend the Council further improves the timeliness of review process of the aged debtors recording system to ensure the aged debtors listing shows an accurate and complete reflection of what monies are outstanding from respective debtors as at any cut off point and also at the year end.</p> <p>Management response and responsible officer</p> <p>The adjusting items at year end related to a particular account which the finance team were working on resolving with the service area over the year end cut off. Whilst we do not believe this to be a recurring issue, and is now resolved, we will endeavour to ensure matters are dealt within a timely fashion.</p> <p>Michelle Oates, Senior Accountant – 31 March 2021</p>
<p> Medium</p>	<p>3. Covid -19 Impact and budget monitoring 20-21 and beyond:</p> <p>There have been significant financial challenges as the Council responded to the Covid-19 pandemic through additional costs to support operational services, lost income through reduced activities including leisure and car parking income. In addition, council tax and business rates income have reduced as lock down started, businesses closed, and staff furloughed. This is expected to continue during 2020-21 and beyond.</p> <p>Budget monitoring, taking appropriate actions on variations and working with the government to address shortfalls in income and increased expenditure are central to sustainable financial planning and management. The Covid-19 pandemic and associated financial pressures have further highlighted the importance of sound financial management in Local Government. Failure to effectively plan and monitor the finances and not dealing with the government and MHCLG on a timely basis could have serious consequences in relation to sustainable resource deployment.</p>	<p>We recommend the Council continues to update its budget setting and budget projections as the challenges and impact from Covid develop. Officers should continue to report in a regular and transparent manner to Members in terms of any corrective actions required in delivering the budget, the impact of Covid on costs and income, achieving the required savings and in terms of liaising with MHCLG and the government.</p> <p>Management response and responsible officer</p> <p>This information will continue to be reported to members as part of budget monitoring and also as part of the MTFs Progress reports.</p> <p>Anton Hodge, Chief Finance Officer (s151) – on going</p>

Appendix B: Follow up of prior year recommendations

We identified the following issues in the interim and final audit of the Council's 2018-19 audit cycle . See below and following pages (23-27) for an update and progress made on these recommendations during 2019-20.

Assessment	Issue and recommendation previously communicated (Interim Audit 2018-19)	2019-20 update on actions taken to address the issue
✓	<p><u>Payroll System records</u></p> <p>From July 2018, the Council's Payroll services have been provided by North Yorkshire County Council (service provider). At the time of our Interim audit (March 2019), we identified that no detailed payroll records have been sent from the service provider to the Council. This resulted in no payroll data being posted to Council's general ledger from July 2018 to February 2019.</p> <p>We also identified that starters and leavers on the Council's payroll list are not promptly informed to the Council by the service provider. We understand this is mainly due to the Council not receiving the completed starter and leaver forms. This increases the risk that starters and leavers may not be appropriately recorded and appropriate payments may not be made according to the start or leave date.</p> <p>Recommendations (R):</p> <p>Rec 1: The Council should ensure that detailed payroll records are entered into the General Ledger system on a monthly basis to reflect up-to-date financial information and associated payroll costs of the Council.</p> <p>Rec 2: The Council should consider enhancing it's control procedures around starters and leavers to ensure there is clear audit trail around payments to starters and leavers.</p>	<p>(R1) Payroll costing files are now loaded in timely fashion.</p> <p>(R2) Starters and Leavers processes have now been enhanced to have a clearer audit trail and we did not encounter similar issues in our 2019-20 audit as we did last year.</p> <p>Actions completed. No further follow up required.</p>

Assessment:

- ✓ Action completed
- X Not yet addressed

Appendix B: Follow up of prior year recommendations - continued

Assessment	Issue and recommendation previously communicated (Interim Audit 2018-19)	2019-20 update on actions taken to address the issue
✓	<p>Bank and Cash:</p> <p>Our Interim work on bank and cash identified the Council has a process of keeping signed cheques in a safe. Cheques are pre-numbered and the system highlights when the consecutive number is not being used. However, we noted that the entire Accounting, Business and Democracy team have access to the safe.</p> <p>Rec 3: As part of proactive fraud prevention activities, the Council should consider further strengthening the process around safekeeping of signed cheques by giving access to only limited number of senior officers.</p>	<p>The Council has further strengthened the process around safekeeping of signed cheques by giving access to only limited number of senior officers.</p> <p>Action completed and no further follow up required.</p>
✓	<p>Authorisation of re-coded journals:</p> <p>Our interim audit work on journal controls identified that journals are re-coded when the initial posting is identified as incorrect. This is a standard practice and there is nothing unusual about journals being re-coded when required.</p> <p>However, we observed that there is no authorisation control when journals are re-coded. This may give rise to unauthorised journals being posted which may result in inaccurate journals being included in the Council's financial position, increasing the risk of errors in the Council's financial reporting.</p> <p>Rec 4: The Council should consider further strengthening the journal control environment by implementing an authorisation control when re-coding journals.</p>	<p>This is now implemented and there is now an authorisation process around re-coding of journals.</p> <p>Action completed and no further follow up required.</p>

Appendix B: Follow up of prior year recommendations – continued

Assessment	Issue and recommendation previously communicated (Interim Audit 2018-19)	2019-20 update on actions taken to address the issue
<p>X (partially implemented)</p>	<p>Governance documents:</p> <p>Our interim work highlighted that key Council documents have not been updated for a number of years, for example, the Code of Conduct (last updated in 2010), the Whistle Blowing Policy (last updated 2006)</p> <p>These are key documents forming part of the Council's wider governance and control environment.</p> <p>Rec 5: The Council should perform a review of all the key governance documents to ensure they are relevant and up to date, taking into account any changes in legislation or regulations.</p>	<p>Whilst progress has been made during 2019-20 this recommendation is not fully implemented as at 31 March 2020 and some key documents have not being fully updated, finalised and published on Council Website.</p> <p>Actions are still work in progress.</p> <p>Management response: The Whistleblowing Policy was replaced by the new Speak Out Policy which was agreed by Council in February 2020. This was one. The others were:</p> <ul style="list-style-type: none"> - Equality in Employment - #zerotolerance - Resolving Issues at Work - Volunteering <p>Work continues on updating all policies, and a further two (Capability; Disciplinary) were agreed by Policy and Resources in September 2020.</p> <p>The Member Code of Conduct was planned to be reviewed during 2019 but as the Government had promised revised guidance this was held back. However it will now be prioritised.</p> <p>The Council's website will be updated to include the most recent policy where this is not the case.</p> <p>Anton Hodge, Chief Finance Officer (s151) – on going</p>
<p>✓</p>	<p>Resourcing in the accounts production team:</p> <p>We noted the predecessor auditor in their 2017-18 Audit Findings (ISA260) Report, issued in July 2018, raised a recommendation to consider capacity and adequate resourcing in the accounts production team.</p> <p>As a result, we understand that additional part time senior resource was added to the team during 2018-19.</p> <p>Our interim audit highlighted that there are still gaps in experienced financial professionals that would assist in day to day book keeping and also help contribute to the final accounts production process. We understand that there is more scope for formal training to individuals who have taken on new roles and responsibilities in 2018-19.</p> <p>Rec 6: The Council should consider whether the current finance team and those supporting the finance team, are sufficiently resourced and experienced in order to compile the 2018-19 financial statements and deal with the audit process in June and July.</p>	<p>More resources have been introduced to strengthen the current finance team during 2019-20, this has helped delivery of the draft accounts and audit process. This is despite the additional challenge this year posed by remote working of both the finance and audit teams.</p> <p>Action completed.</p>

Appendix B: Follow up of prior year recommendations - continued

Assessment	Issue and recommendation previously communicated (Interim Audit 2018-19)	2019-20 update on actions taken to address the issue:
<p style="text-align: center;">X (partially implemented)</p>	<p>Service Organisations:</p> <p>The Council uses other service organisations to provide key services. Some of these are highlighted below:</p> <ul style="list-style-type: none"> • North Yorkshire County Council (NYCC) provides finance, payroll and HR • Scarborough Borough Council provides Collection Fund, (Council Tax and Business Rates), procurement and car parking services. <p>Our Interim audit highlighted there is scope to enhance the communication between the Council and its use of service organisations mainly around services provided by Scarborough Borough Council. As a result, we noticed there was some level of staff ambiguity around certain responsibilities.</p> <p>We understand that the governance arrangements relating to the range of services provided by these service organisations is still developing. Original signed SLAs are being re-examined to ensure they meet organisational requirements, alongside proposals for governance of any over-arching collaboration agreements.</p> <p>Rec 7: In order to strengthen the arrangements in place to monitor the quality of the work delivered by the service organisations, the Council should:</p> <ul style="list-style-type: none"> • R1: Ensure all Service Level Agreements between the Council and its service providers are signed and dated – this will ensure clarity on both sides in terms of expectations on delivery and quality, reducing the risk of any ambiguity • R2: Ensure there is regular communication and monitoring of the services provided by Service Organisations (mainly around Scarborough Council) to enable they are providing what has been agreed and at an acceptable quality and standard, with appropriate levels of governance in place • R3: Ensure that if it is not receiving the agreed level of service and quality from its service providers, it holds them appropriately to account. 	<p>During 2019-20, work took place to formalise the previous SLAs between RDC and NYCC into an overarching Collaboration Agreement. This would also set out the governance arrangements between the two councils and would sign-off all subsequent service agreements as one.</p> <p>Overarching Collaboration Agreement was produced in July 2019 which captures the intended overarching agreements.</p> <p>We acknowledge that progress has been made during 2019-20 regarding signing and agreeing individual SLAs. The overarching Collaboration Agreement between the Council and NYCC is still being discussed .</p> <p>In terms of services relating to Scarborough BC, the SLA has not been agreed or finalised.</p> <p>Management response:</p> <p>The Revenue and Benefits Service (services relating to Scarborough BC) was terminated at the end of 2019-20 and it was not possible to agree a respective SLA for it.</p> <p>Discussions will continue regarding the overarching Collaboration Agreement, but in the absence of that, individual SLAs will continue to be used and these include Performance Indicators.</p> <p>Anton Hodge, Chief Finance Officer (s151)</p>

Appendix B: Follow up of prior year recommendations - continued

Assessment	Issue and recommendation previously communicated (Final Audit 2018-19)	2019-20 update on actions taken to address the issue
✓	<p>Embedding governance, risk management and financial monitoring arrangements to support informed decision making</p> <p>As noted in our VFM section, we identified that Council's risk management and governance arrangements were not sufficiently embedded during 2018-19.</p> <p>Our work in this area identified the 'Health Checks' undertaken by the Council. The Health Checks highlighted key risks to the Council's strategic objectives as well as day to day operations.</p> <p>Effective risk management is at the heart of good governance and vital to informed decision making to secure good value for money of Council's resources.</p> <p>Not embedding sound risk management and monitoring arrangements for informed decision making could have significant consequences to the Council's operations and the outcomes delivered to the people it serves.</p> <p>The senior management team, newly established in 2018-19, understand this and have been actively engaged in reviewing the Council's approach to governance, risk management and financial management. The reviews performed and changes initiated during 2018-19 should help to strengthen the Council's arrangements in 2019-20.</p>	<p>Actions completed.</p> <p>See our Value for Money conclusion work on pages 16-18 in section three.</p>

Appendix B: Follow up of prior year recommendations

Assessment	Issue and risk previously communicated (Final Audit 2018-19)	2019-20 update on actions taken to address the issue
✓	<p>Valuation of Land and Buildings:</p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. As part of this process, certain land and buildings were valued during 2018-19.</p> <p>Our audit work highlighted that the outcome of this exercise in relation to upward valuations and impairments were not appropriately accounted for in the draft financial statements.</p> <p>Further to our discussions with the management, material adjustments were made to correct this issue in the financial statements (see Appendix B).</p> <p>Land and buildings form a key part of Council's total asset base. In addition, valuation of Land and buildings is considered as a significant risk in the Audit Plan for 2018-19 and appropriately accounting for valuation is an important aspect of the accounts preparation process.</p> <p>A detailed review of the draft accounts by someone who is experienced in local government accounting but are not involved in the detailed production of the accounts, before publishing the draft accounts could help to mitigate such omissions in the future.</p>	<p>No such issues identified in Land and Buildings audit work during 2019-20. Our work indicated that valuation outcomes have been appropriately accounted for in the financial statements.</p> <p>No further follow up or recommendations required.</p>

Appendix C: Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

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

There are no unadjusted misstatements at the time of this report.

Misclassification and disclosure changes

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

It is important to note that none of the amendments listed below have any impact on the level of useable reserves of the Council.

No.	Description and value	Amended ?
1.	<u>Narrative Report:</u> <ul style="list-style-type: none"> Expanding the real purpose of the Narrative Report Expanding the explanation of financial statements to capture the purpose of notes to the accounts Further clarifying capital expenditure section Expand note 11 on Covid-19 impact to capture Tranche 3 funding of £83k which was received in July 2020. 	✓
2.	Referencing the Movement in Reserves Statement to other notes to the accounts for further clarification of reserves movements to the reader of the accounts	✓
3.	Events after the reporting period (note 6): <ul style="list-style-type: none"> Expanding this note to capture Covid-19 implications and explain these events are un-adjusting. 	✓
4.	Additional note added in line with LG Code guidance to capture effective date of revaluations on land and buildings to capture the 5 year cycle of revaluations (note 14).	✓
5.	Non operational property plant and equipment (surplus assets) need to be valued using fair value hierarchy methodology under IFRS13 . An additional note has been added to capture surplus assets valuation methodology.	✓
6.	Note 33 was updated to reflect the actual costs in relation to 2019-20 External Audit fees.	✓
7.	Various comments and enhancement made to update the AGS to reflect Council activities during 2019-20.	✓
8.	Updating the Financial Instruments note to capture the appropriate financial instruments balances as at 31 March 2020.	✓

Appendix D: Fees

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

Audit fees	Proposed fee per Audit Plan £	Final fee £
Council Audit	44,706	TBC+
Total audit fees (excluding VAT)	44,706	TBC

+ We wish to note that there is the potential for further audit fees in relation to the additional work we have performed on pension and PPE balances, the VFM conclusion work and the level of work done to follow up last year's recommendations. In addition, further costs have been incurred due to the additional time taken to deliver the audit this year as a result of the Covid pandemic. We have discussed this likelihood with the Chief Financial Officer and we will provide a full breakdown of proposed fees on completion of our audit and this will be included in the Annual Audit Letter later this year.

Total audit fees (rounded to thousands) reconciled to the revised financial statements (note 33)

Non-audit fees for other services	Proposed fee £	Final fee £
Audit Related Services:		
Housing Benefit Subsidy return 2019-20	11,500*	TBC
Non-Audit Related Services:		
Chief Finance Officer Insights and Place Analytics subscription	3,840	3,840
Total non- audit fees (excluding VAT)	15,340*	TBC

NOTE:

* The £11,500 is the base fee for Housing Benefit Subsidy certification plus for each 40+ testing undertaken:

£2,200 – where the work is completed by the Council

£4,200 – where the work is undertaken by Grant Thornton

Appendix E: **Draft** Audit Opinion

We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings and Investment Properties as a direct impact of Covid-19.

Independent auditor's report to the members of Ryedale District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ryedale District Council (the 'Authority') for the year ended 31 March 2020 which comprise, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and the notes to the financial statements including a summary of significant accounting policies. The notes to the financial statements include the Expenditure & Funding Analysis, the Core Financial Statements Notes and the Notes on the Collection Fund. 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 Authority as at 31 March 2020 and of its 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
- 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 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 Finance Officer (s151) 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 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 Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Audit opinion (**Draft**) – continued

We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings and investment properties as a direct impact of Covid-19.

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 Finance Officer (s151)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer (s151) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Chief Finance Officer (s151)'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 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 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 will continue in operation.

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

We draw attention to Note 4 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 4 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 reports. Our opinion is not modified in respect of this matter.

Other information

The Chief Finance Officer (s151) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the 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.

Audit opinion (**Draft**) – continued

We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings and investment properties as a direct impact of Covid-19.

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 Statement of Accounts, the Narrative Report, the Annual Governance Statement 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Chief Finance Officer (s151) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, 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 Finance Officer (s151). The Chief Finance Officer (s151) 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 Finance Officer (s151) 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 Finance Officer (s151) is responsible for assessing 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 Overview and Scrutiny Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Audit opinion - continued (Draft)

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.

Report on other legal and regulatory requirements - Certificate

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

Use of our report

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

Signature and date – *To be included*

Gareth Mills, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Appendix F: Management letter of representation (**Draft**)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

Grant Thornton UK LLP
No 1 Whitehall Riverside
LEEDS
LS1 4BN

12 November 2020 (Date Policy and Resources Committee approves the financial statements)

Dear Sirs

Ryedale District 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 Ryedale District Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the 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 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 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 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 financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged

- a. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- i. 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.
- ii. 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.
- iii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- iv. We have considered the unadjusted misstatements schedule included in your Audit Findings Report **and attached**. We have not adjusted the financial statements for these misstatements brought to our attention as *they are immaterial to the results of the Council and its financial position at the year-end OR list reasons*. The financial statements are free of material misstatements, including omissions. **[To be confirmed by GT]**
- v. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- vi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- vii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the 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 Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- i. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the 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.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.
- iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- iv. 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.
- i. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or

- a. others where the fraud could have a material effect on the financial statements.
- i. 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.
- ii. 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.
- iii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- iv. 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

- i. 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

- i. The disclosures within the Narrative Report fairly reflect our understanding of the 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 Policy and Resources Committee at its meeting on 12 November 2020.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council



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