

# The Audit Findings (ISA260) Report for Ryedale District Council

Year ended 31 March 2021

8 December 2021

**WORKING DRAFT FOR  
AUDIT COMMITTEE**



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This Audit Findings (ISA260) 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. Its contents will be discussed with management and the Audit Committee.

### *Gareth D Mills*

Name: Gareth Mills, Engagement Lead for Ryedale DC

For Grant Thornton UK LLP

Date: 8 December 2021

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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 Borough Council ('the Council') and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

## Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and the 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.

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

Our year-end audit work was performed from August into November. Our findings are summarised in Section Two of this report. As at the date of this report, we have not identified any audit adjustments impacting on the Council's useable reserves.

A list of presentational audit adjustments are detailed at Appendix C. We have not raised any recommendations for management, at this stage, as a result of our work in the Action Plan at Appendix A. Our follow up of recommendations from the prior year is detailed at Appendix B.

Our work is ongoing in advance of our target sign off date of the end of this calendar year. At present, there are no matters of which we are aware that would require modification of our proposed audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters:

- the assurance letter from the auditor of North Yorkshire Pension Fund to give assurance over the significant risk area of pensions
- completing the remaining few elements of our work on PPE, pension fund assets and liabilities, payables and receivables, payroll costs, financial instruments, journals, grant income, and operating expenditure
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of PPE valuation, pension fund liability and journals testing
- 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 together with the audited financial statements is consistent with our knowledge of the Council and the financial statements we have audited, subject to satisfactory completion of our review of the final Narrative Report and AGS.

Subject to satisfactory completion of the above tasks, we plan to issue an unqualified audit opinion. Our anticipated audit report opinion will include an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of other land buildings and investment properties. 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 note 4.

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## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness
- Financial sustainability
- Governance.

We have not yet completed all of our VFM work and are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was sent to the Chair of the Audit Committee in September and is attached at Appendix F to this report. We expect to issue our Auditor's Annual Report before end of February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report (AAR) to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any possible risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have concluded that there are no risks of significant weakness at the time of our financial statement audit opinion date. Further work on our VFM arrangements review will be captured in our AAR which is due to be finalised before the end of February 2022.

Further details are set out in section three of this report.

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## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, and our review of the Council's Whole of Government Accounts (WGA) submission. We expect to conclude our work in these two areas and be in a position to issue our audit certificate by the end of February 2022.

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## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during our audit which was again conducted in challenging circumstances and remotely, as in the prior year.

We appreciate the understanding and patience of Officers and Members of the later timetable of our audit compared to our original plan. As we reported in the summer, this was as a result of the departure of a key member of our audit team part-way through the audit and the overall pressures facing the public sector external audit market.

# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings (ISA260) 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 will be discussed with management, Audit Committee (as those charged with governance).

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 service 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, including the procedures outlined in this report in relation to the key audit risks.

## Conclusion

Our audit of your financial statements is currently ongoing. Subject to the outstanding queries being resolved, we anticipate issuing an unqualified (clean) audit opinion. These outstanding items include:

- the assurance letter from the auditor of North Yorkshire Pension Fund to give assurance over the significant risk area of pensions
- completing the remaining few elements of our work on PPE, pension fund assets and liabilities, payables and receivables, payroll costs, financial instruments, journals, grant income, and operating expenditure
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of PPE valuation, pension fund liability and journals testing
- 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.

We have revised the Materiality level since our Audit Plan dated 13 April 2021 where materiality was based on 2019-20 gross expenditure in Cost of services. Our review of the 2020-21 draft financial statements indicated that this benchmark had increased from £21.9m to £26.6m year on year. This is a c20% increase. As a result, we have increased the materiality for our audit as shown in the table.

We detail in the table our determination of materiality for the Council.

Materiality area	Amount per Audit Plan April 2021	Amount per Final accounts August 2021	Qualitative factors considered
Materiality for the financial statements	£438,000	£533,000	We have determined materiality at 2% (PY: 2%) of gross expenditure for 2020-21. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget. There is no change to this benchmark to that set out in our Audit Plan dated 13 April 2021.
Performance Materiality	£328,500	£400,000	Assessed to be 75% of financial statement materiality.
Trivial matters	£22,000	£26,000	This equates to 5% of materiality. This is our reporting threshold to the Audit Committee for any errors identified.
Materiality for senior officer remuneration disclosures	£20,000	£20,000	The senior officer remuneration disclosures in the Financial Statements have been identified as an area requiring specific materiality due to its sensitive nature. There are no changes to this threshold from our Audit Plan dated 13 April 2021.



## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

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.

As part of our audit work, we have

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine 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 as relevant

Our audit work to date has not identified any issues in respect of management override of controls. We will provide a verbal update to the Audit Committee on 16 December should any significant issues arise from completing our work in this area and issuing our audit opinion.



# Financial Statements - Significant risks

## Risks identified in our Audit Plan

### Risk of fraud in revenue recognition and expenditure

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable.

### Expenditure

Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:

- there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds
- there is no significant pressures on general fund reserves of the Council
- Covid -19 funding has been sufficiently provided for additional expenditure and loss of income during 2020-21.

## Commentary

Notwithstanding that we have rebutted these risks we have undertaken a significant level of work on the Council's revenue streams, as they are material to the financial statements audit.

As part of our audit work, we have:

### Accounting policies and systems

- Evaluated the Council's accounting policies for recognition of income and expenditure for its material income and expenditure streams and compliance with CIPFA Code
- Updated our understanding of the Council's business processes associated with accounting for income and expenditure.

### Fees, Charges and other service income

- Agreed, on a sample basis, income and year end receivables from other income to supporting evidence.

### Taxation and non specific grant income

- Income for national non-domestic rates (NDR) and council tax is predictable and therefore we conducted substantive analytical procedures. We have also obtained sufficient assurances on NDR relief for 2020-21
- For other grants, sample tested items for supporting evidence and check the appropriateness of the accounting treatment in line with CIPFA Code. Please see further reporting at page 16.

### Expenditure

- Agreed, on a sample basis, non-pay expenditure, interest payable and year-end payables through to supporting evidence
- Undertaken detailed substantive analytical procedures on pay expenditure.

We also carried out sufficient and appropriate audit procedures to ascertain that recognition of income and expenditure was in the correct accounting period using cut off testing.

From our audit work to date, there are no issues identified that require reporting to the Audit Committee.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land and buildings, including investment properties

The Council re-values 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£15m land and buildings and c£2m investment properties) 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 at the financial statements date, where a rolling programme is used.

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

As part of our audit work, we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to management's valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed and challenged 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 check if they had been input correctly into the Council's asset register
- evaluated the assumptions made by management and the management expert when valuing investment properties at fair value as at 31 March 2021
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
- evaluated, where the valuation date is not 31 March 2021 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate as at 31 March 2021.

Our audit work to date has identified the following issue:

**Material valuation uncertainty reported by the Council's valuer:** The Council's valuation specialists have included a material valuation uncertainty as a result of Covid-19 on land and buildings valuations, including investment properties. This was reported in the draft financial statements, under , note 4, assumptions made about the future and other major sources of estimation uncertainty, and in notes 14 and 16 - Propriety Plant and Equipment and Investment Properties notes respectively.

We will be including an emphasis of matter paragraph in our audit opinion in respect of the material uncertainty in the external valuer's report in relation to land and buildings valuation and Investment Properties, as a result of the Covid-19 pandemic.

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of the pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£12.4m in the Council's balance sheet per draft accounts) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice for Local Government Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the net pension liability estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated pension fund net liability.

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.

In response to this risk we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- We have 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

Our audit work on the pension fund net liability is nearing completion subject to information from the pension fund auditor.

The auditor of the North Yorkshire Pension Fund has not yet responded to our enquiries around 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.

As the pension fund balance is a significant audit risk, we need to be satisfied that we have sufficient and appropriate audit evidence over these material entries. As such we are currently assessing the information that we have received from the actuary.

We also need to review the contents of the assurance from the auditors of the North Yorkshire Pension Fund audit when that is received. We are expecting to receive this from the Pension Fund auditors by 13 December. The timing and content of the information from the Pension Fund auditors will influence the date when we will be in a position to issue our audit opinion on the Authority's accounts.

Our audit work to date has not identified any issues in respect of the valuation of the pension fund net liability.

## 2. Financial Statements – new issues and risks

Issue	Auditor commentary and view
<p><b>IFRS 16 implementation</b></p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020-21 accounts to comply with the requirement of IAS 8 para 31. As a minimum, we expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.</p>	<p>The Council has included a high level reference to IFRS16 in its accounts under Accounting Standards Issued but Not Yet Adopted.</p> <p>The minimum requirements of IAS8 have been met. Management and the audit team will liaise during the 2021-22 audit to ensure the requirements of the new standard are being followed and plans are in place for this issue to be adequately reported in the 2021-22 accounts and fully adopted in the 2022-23 accounts.</p>
<p><b>Recognition and Presentation of Grant Income</b></p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal or agent and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income.</p> <p>The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p>	<p>Notes 8, 13 and 34 to the accounts include an analysis of grant income . This includes breakdowns of Taxation and Non Specific Grant Income and</p> <p>Our audit testing to date of grant income during 2020-21 has not identified any non-compliance with the requirements for grant accounting as specified in the Code. We will provide a verbal update to the Audit Committee on 16 December should any significant issues arise from completing our work in this area and issuing our audit opinion.</p>

## 2. key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Auditor Comments	Assessment
Other Land and Buildings valuation: £15m	<p><b>Other Land and Buildings:</b> 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>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"> <li>• assessing the competence and expertise of management's expert (external RICS qualified valuers)</li> <li>• reviewing the completeness and accuracy of the underlying information used to determine the estimate</li> <li>• reviewing the assumptions used by the expert, including the floor areas</li> <li>• noting the impact of any changes to valuation method as relevant. There were no significant changes to the valuation method</li> <li>• considering the consistency of the estimate used</li> <li>• reviewing the reasonableness of the movement in the estimate</li> <li>• considered the adequacy of disclosure of the estimate and Covid-19 related material uncertainty in the financial statements</li> <li>• considering the consistency of the Authority's estimate against relevant benchmark valuation indices. For both assets formally revalued and not formally revalued in year. All variances are within materiality.</li> </ul>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious <b>(Green)</b></p> <p>TBC</p>
Investment Properties valuation: £2.2m	<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.</p> <p>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 c£28% of total assets were revalued during 2020-21 and the valuation date was 31 March 2021.</p> <p>Management's assessment of assets not revalued in year has identified no material change to these assets' current value compared to it's carrying value as at 31 March 2020.</p>	<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.</p>	
	<p>Investment Properties: All investment properties (note 16 to the financial statements) have been valued as at 31 March 2021 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>		

### Assessment

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

## 2. key judgements and estimates(continued)

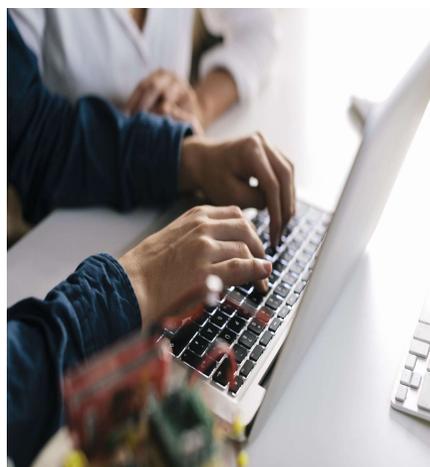
Significant Judgement or estimate	Summary of management approach	Auditor comments	Assessment																								
Net pension liability: £12.4m	<p>The Council's net pension liability at 31 March 2021 is £12.4m (PY £13.3m) comprising the North Yorkshire Local Government defined benefit pension scheme 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.</p> <p>There has been a £0.9m net actuarial movement during 2020-21.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>assessed management's expert</li> <li>assessed the actuary's roll forward approach and deemed it reasonable</li> <li>used PwC as our auditors expert to assess the actuary and assumptions made by the actuary – please see the table below for our comparison of actuarial assumptions. The PwC report has also indicated that they are comfortable with AoN's methodologies used to establish assumptions and they will produce reasonable assumptions as at 31 March 2021 for all employers.</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>PwC comments</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.10%</td> <td>2.10%</td> <td>Assumption appears reasonable</td> </tr> <tr> <td>Pension increase rate</td> <td>2.70%</td> <td>2.60% - 2.70%</td> <td>Assumption appears reasonable and methodology appropriate.</td> </tr> <tr> <td>Salary growth</td> <td>3.95%</td> <td>3.60% - 4.20%</td> <td>In line with 2020 valuation.</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>23.6 years 21.9 years</td> <td>22.5 – 24.7 20.8 – 23.0</td> <td>Overall mortality assumptions appear reasonable.</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.8 years 24.0 years</td> <td>24.0 – 27.2 23.5 – 26.0</td> <td>Overall mortality assumptions appear reasonable.</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>confirmed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>confirmed the reasonableness of the Council's share of the LGPS pension assets</li> <li>We confirmed that valuation assets are based on 31 March 2021 valuations</li> <li>We have confirmed there were no significant changes in 2020-21 to the valuation method</li> <li>confirmed the consistency of the pension fund assets and liability disclosures in the notes to the financial statements with the actuarial report from the actuary.</li> </ul> <p>Our audit work to date has not identified any issues in respect of the valuation of the pension fund net liability. Our work in this area is still in progress, including the assurance from the Pension Fund auditor.</p>	Assumption	Actuary Value	PwC range	PwC comments	Discount rate	2.10%	2.10%	Assumption appears reasonable	Pension increase rate	2.70%	2.60% - 2.70%	Assumption appears reasonable and methodology appropriate.	Salary growth	3.95%	3.60% - 4.20%	In line with 2020 valuation.	Life expectancy – Males currently aged 45 / 65	23.6 years 21.9 years	22.5 – 24.7 20.8 – 23.0	Overall mortality assumptions appear reasonable.	Life expectancy – Females currently aged 45 / 65	25.8 years 24.0 years	24.0 – 27.2 23.5 – 26.0	Overall mortality assumptions appear reasonable.	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious (Green) <b>TBC</b></p>
Assumption	Actuary Value	PwC range	PwC comments																								
Discount rate	2.10%	2.10%	Assumption appears reasonable																								
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## 2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p><b>Grants Income:</b></p> <p><b>£19m (from the total in Note 34)</b></p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p> <p>Due to the Covid-19 pandemic there has been a significant increase in the level of grant funding with associated complexity and requirement of management's judgement on the accounting.</p>	<p>Management has taken into account three main considerations in accounting for grants:</p> <ol style="list-style-type: none"> <li>whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements.</li> <li>whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income</li> <li>whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts.</li> </ol> <p>There may be judgements over the accounting treatment. Different conclusions may be reached by councils depending on how they have applied any discretion in administering the schemes and application of Code guidance.</p> <p>Grant income is disclosed at notes 8 and 34 to the financial statements.</p>	<ul style="list-style-type: none"> <li>We have substantively tested a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent</li> <li>For the samples selected we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income</li> <li>We have also assessed for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES or not.</li> <li>We have assessed the adequacy of disclosure of grants received and judgement used by management as part of our detail testing.</li> </ul> <p>Our work is ongoing in this area, however, to date has not identified any matters to report in this area.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious <b>[Green]</b> <b>TBC</b></p>

## 2. Other communication requirements

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	Commentary
Matters in relation to fraud	We have discussed the risk of fraud with the Chief Finance Officer (s151) and 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.
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 – this will be tabled separately for the Audit Committee meeting.
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's banker, and entities who were involved with the Council's investments and borrowings. This permission was granted and the requests were sent and responded to with positive confirmation. We are currently in the process
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements to date.
Audit evidence and explanations / significant difficulties	We have experienced good, continued co-operation from the Council for all information and explanations requested to date. As noted earlier, we appreciate the Council's understanding of the revised audit timetable, arising from the departure of a key member of our audit team. In order to finalise our audit, we expect to receive continued timely engagement and responses from management. There are no significant difficulties to report in terms of receipt of audit evidence at this time.

## 2. Other communication requirements



### 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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient and appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. 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>No inconsistencies have been identified other than minor presentational matters, which have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported 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 number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.</li> <li>• if we have applied any of our statutory powers or duties</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness(es).</li> </ul> <p>We have nothing to report on these matters. Our Value for Money work is underway and will be completed by February 2022.</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>Our audit work on the Council's WGA pack is very limited as the Council does not exceed the audit threshold.</p> <p>We note that guidance for this work has not yet been issued and therefore this work has not yet commenced. The NAO requires the work to be completed once the audit opinion is provided on the financial statements and has not yet released data collection instructions.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020-21 audit of the Council in the audit report, as detailed at Appendix E, until we have completed our work on the WGA consolidation exercise mentioned above and completed our Value for Money responsibilities with the issue of the Auditor's Annual Report.</p> <p>This is in common with the vast majority of other local authorities given the later audit deadline for the VFM work and the current lack of instructions for the WGA work.</p>



# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020-21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020-21. The Code introduced a revised approach to the audit of Value for Money (VFM).

There are three main changes arising from the NAO's new approach:

1. A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
2. More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria
3. Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows (in order of severity):



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

### 3. Risks of possible significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of possible significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on.

We reported to you in our Audit Plan dated 13 April 2021 that there were no such significant weaknesses identified. We have conducted further work since our Audit Plan was issued in April and can confirm that as of the date of this report, there are no possible significant weaknesses that would impact on our accounts audit opinion.

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix F to this report – which was sent to the Chair of the Committee in September.

We thank the Chief Finance Officer and other colleagues for their input into our VFM arrangements work to date. We will be finalising our work in the New Year and expect to issue our Auditor's Annual Report, detailing our VFM arrangements work, by February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

## 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

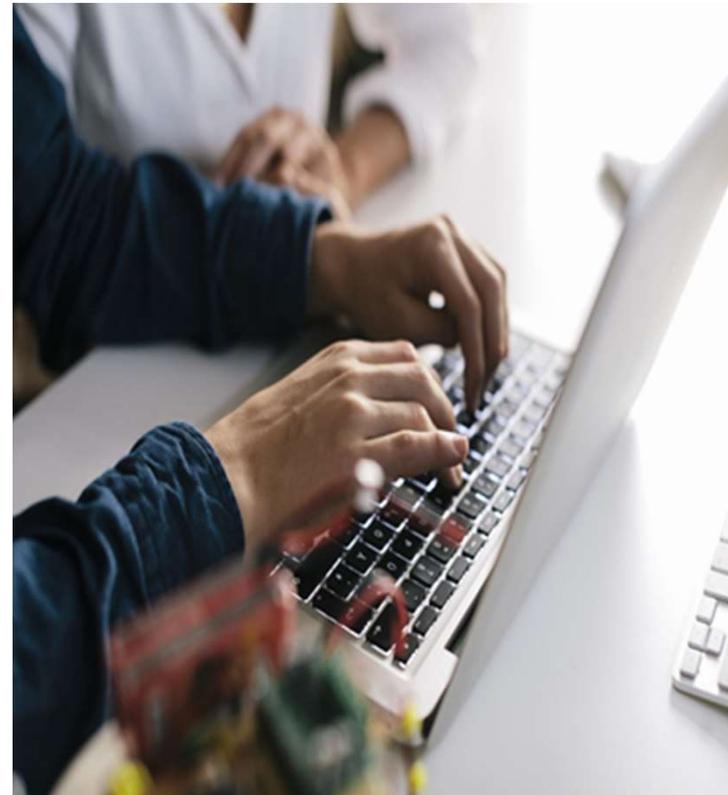
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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 detailed at Appendix D.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)



# 4. Independence and ethics (continued)

## Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
<b>Audit related:</b>			
Certification of Housing Benefit Claim	*11,500	Self-Interest (because this is a recurring fee)  Self review (because GT provides audit services)	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 in comparison to the total fee for the audit of £57,206 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
<b>Non-audit related:</b>			
Chief Finance Officer Insights and Place Analytics subscription	3,870	Self-Interest (because this is a recurring 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 £3,870 per annum in comparison to the total fee for the audit of £57,206 and in particular relative to Grant Thornton UK LLP's turnover overall.  Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

### NOTE on Housing Benefit fee:

\* The £11,500 is the base fee for the 2020-21 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,255 – where the initial work is completed by the Council

£5,040 – where the work is fully undertaken by Grant Thornton

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

# Appendices

# A. Action Plan

We have made the following recommendations as a result of issues identified during the course of our audit including our Value for Money work to date. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of our 2021-22 audit. The matters reported here are limited to those areas we have identified during the course of our audit and VFM work to date, and are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	As at the date of this report, we have not identified any recommendations. Should any recommendations arise up to the date of our audit opinion, we will include them here in an updated ISA260 Report.	

# B. Follow up of prior year recommendations

We identified a small number of recommendations in the audit of the Council's 2019-20 financial statements, which was reported in our 2019-20 Audit Findings (ISA260) Report and recommendations from 2018-19 that were still to be implemented. We followed these up in our 2020-21 Audit Plan which was presented to you in April 2021. The current position on these recommendations is listed at pages 24 and 25.

Assessment	Previously communicated subject matter and recommendation	Update from the Council on actions taken to address the issue
✓	<p>1. Regular meetings of Overview and Scrutiny Committee (from October 2020):</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 (&amp; Audit) Committee are held in the remainder of 2020-21 and beyond.</p>	<p>Update as per Audit Plan (April 2021):</p> <p>Overview and Scrutiny Committee meetings resumed in October and have been held virtually. Meetings have continued throughout the period since October 2020.</p> <p>Completed.</p>
✓	<p>2. Covid-19 impact and budget monitoring (from our ISA260 Report, October 2020):</p> <p>We recommended 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 liaison with MHCLG.</p>	<p>Update as per Audit Plan (April 2021):</p> <p>Budget monitoring reports to Members have set out in detail the Covid costs and income for the financial year as part of the overall expected outturn figure. The most recent (Q3) showed expected gross Covid costs of £2m. After income and reserves already agreed, this left a remaining gap of £0.6m which feeds into the overall expected outturn of an overspend of £0.8m. The reports have emphasised the estimated status of these figures and that they continue to change up until year-end.</p> <p>Update as at December 2021:</p> <p>The Outturn report for 2020/21 noted that the final cost related to COVID in that year was £1.6m, offset by government grants of £1.2m. This fed into the overall year-end deficit of £345k. As part of the budget for 2021/22, members agreed to set aside a further £0.8m from reserves to fund ongoing COVID costs (for which there was no government funding). The most recent budget monitoring for 2021/22 (Q2) shows that COVID costs are expected to be contained within this amount, subject to any future costs being incurred as result of the new variant or any other unexpected consequences of the pandemic.</p>

# B. Follow up of prior year recommendations

Assessment	Previously communicated subject matter and recommendation	Update from the Council on actions taken to address the issue
✓	<p><b>3. Governance documents (from our 2018-19 Interim Report, June 2019)</b></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>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 had been made during 2019-20 this recommendation was not fully implemented as at 31 March 2020 and some key documents have not being fully updated, finalised and published on Council Website. As at October 2020, actions were still work in progress.</p>	<p><b>Update as per Audit Plan (April 2021):</b></p> <p>A review of all policies, including their position on the website was undertaken in 2020 and the final outcome of this process will be evident by October 2021.</p> <p><b>Update as at December 2021:</b></p> <p>Following on from the review last year, a central log of the Council policies displayed on the public website and intranet has been established to track progress. This involved discussions with all service areas to establish the responsible corporate owner, the ratifying committee and a review date for each policy document. The published policies have also been brought in line with the corporate branding style to ensure consistency.</p>

# 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 Council's level of useable reserves for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves
There are no audit adjustments to date that impact on the Council's primary statements or level of useable reserves. We will update this at the date of our audit opinion.			
Overall impact	None	None	None

# 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.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit (as at 8 December) which have been made in the final set of financial statements. We will update this table at the date of our audit opinion for any other additional presentational changes made.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
1	Disclosure	Disabled Facilities Grant left unspent of £119k at the end of the year should have been included in the "Reversal of grants credited to the CIES but expenditure has not been incurred" line on the Capital Grants Unapplied note. This has a knock-on effect on the Capital Adjustment Account and note 9 Adjustments between Accounting Basis & Funding Basis under Regulations. This is presentational issue and does not affect the level of useable reserves. This was amended in the revised version of the accounts.	Notes 26, note 27 , CAA and note 9	Yes
2	Disclosure	A small number of amendments were proposed to the Council's Annual Governance Statement in line with Code Guidance requirements. These have been actioned by management.	Annual Governance Statements	Yes

# C. Audit Adjustments



## Impact of unadjusted misstatements

At the date of this report there are no unadjusted misstatements.

## Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2019-20 financial statements.

# D. Fees

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

<b>Audit fees</b>	<b>Proposed fee per Audit Plan April 2021</b>	<b>Final fee</b>
Council Audit	£57,206	£57,206
<b>Total audit fees (excluding VAT)</b>	<b>£57,206</b>	<b>£57,206</b>

<b>Non-audit fees for other services:</b>	<b>Proposed fee</b>	<b>Final fee</b>
Certification of Housing Benefit Claim	£11,500*	see note below
Chief Finance Officer Insights and Place Analytics subscription	3,870	3,870
<b>Total non-audit fees (excluding VAT)</b>	<b>£15,370</b>	<b>£15,370</b>

## Note on Housing Benefit fee:

\* The £11,500 is the base fee for the 2020-21 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,255 – where the initial work is completed by the Council

£5,040 – where the work is fully undertaken by Grant Thornton

The fees reconcile to the financial statements in Note 33 - External Audit costs.

# E. Audit opinion (draft)

Our proposed draft audit opinion is an unqualified ‘clean’ opinion, including an “emphasis of matter” paragraph to draw attention to the material uncertainty in the valuation of the Council’s land and buildings and investment properties – as a result of the pandemic and as reported by the Council’s valuer.

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

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Ryedale District Council (the ‘Authority’) for the year ended 31 March 2021 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Notes to the accounts including accounting policies, the Collection Fund Statement and Notes on the Collection Fund. The Accounting Policies include, the statement of accounting concepts and policies, Accounting standards issued but not yet adopted, critical judgements in applying accounting policies and assumptions made about the future and other major sources of estimation uncertainty. 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 2020-21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of the Authority’s expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. 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.

#### 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 2021. 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.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities.

We assessed the reasonableness of the basis of preparation used by the Authority and Authority’s disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the ‘Responsibilities of the Authority, Chief Finance Officer and Those Charged with Governance for the financial statements’ section of this report.

#### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, 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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

# E. Audit opinion (draft)

## 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 in April 2020 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 '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 matters 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, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

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

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

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

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

As explained in the Statement of Responsibilities set out in the Statement of Accounts, 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. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer, determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer 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 (Audit) Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

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

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

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

# E. Audit opinion(draft)

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - closing journals posted during the preparation of the financial statements
  - material and unusual journals which fall outside of the auditor's expectations which are considered as high-risk journals
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus high risk journal, such as, posted by senior management, journals with unusual attributes, journals without any descriptions, journals posted by staff not in the approved list of journals posting, journals that do not balance and journals posted in periods 12 & 13, which are material and not reoccurring or common postings;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations.
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the Authority's engagement team included consideration of the engagement team's
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority, including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

### **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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

# E. Audit opinion (draft)

## **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for Ryedale District Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

## **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:**

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

## **Leeds**

**Xx December 2021 TBC**

# F. Audit letter in respect of delayed VFM work

Councillor Tracie Middleton  
Chair of Overview and Scrutiny Committee (Audit)  
Ryedale District Council  
Ryedale House  
Old Malton Road  
Malton  
YO17 7HH

22 September 2021

Dear Cllr Middleton

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We will be working on our VFM arrangements review of the Council over the coming months and expect to report our findings to management by the end of February 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

*Gareth*

Gareth Mills  
Key Audit Partner and Engagement Lead for Ryedale District Council

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