

# The Audit Findings for Tewkesbury Borough Council

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Year ended 31 March 2020

22 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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# Headlines

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

<p><b>Covid-19</b></p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. Some of the impacts are indicated below:</p> <p><b>Council front-line challenges</b> : administration of grants to businesses, closure of car parks, additional challenges of reopening services under new government guidelines.</p> <p><b>Finance team</b> : capacity of teams through re-deployment</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 2 May 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 adapt to ensure we have gained sufficient audit evidence for the entries within the financial statements. This has meant a greater reliance on video calling for many aspects of the audit, particularly in terms of the use of sharing of screens to watch transaction listings being run. Where information is normally provided in a spreadsheet format, we have undertaken additional levels of testing to ensure that the information provided hasn't been manipulated prior to being sent to the audit team. We have utilised a remote information sharing software called Inflo, which has enabled smooth file transfer while team members are working remotely.</p> <p>Draft Accounts were received by the audit team on the 10 August 2020 alongside working papers for the notes and main statements. The quality of these working papers were of a good standard.</p>
<p><b>Financial Statements</b></p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of Council's income and expenditure for the year; and</li> <li>• 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.</li> </ul> <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. We can confirm that we have not identified any material inconsistencies or misstatements.</p>	<p>Our audit work was complete remotely during June-November. At the time of writing this report our work is approximately 85% complete. Our findings are summarised on pages 5 to 14. We have identified one unadjusted misstatement to the financial statements that has resulted in a £173k unadjusted amount impacting the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and at this stage, 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"> <li>• Completion of our testing of: debtors, creditors, housing benefit expenditure, movement in reserves statement, fees &amp; charges, grants, Officer remuneration, Financial Instruments, collection fund, related parties and cash flow statement;</li> <li>• Receipt of the final investment and borrowing confirmations currently outstanding;</li> <li>• Final review of the covid-19 impact on the audit;</li> <li>• Receipt of our assurance letter from the Gloucestershire Pension Fund auditor;</li> <li>• receipt of management representation letter - see Agenda item 7;</li> <li>• review of the final set of financial statements; and</li> <li>• Final Manager and Key Audit partner reviews</li> </ul>

# Headlines

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

<b>Financial Statements (continued)</b>		<p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting the material uncertainty over the valuation of Property, Plant &amp; Equipment, as reported by the council's valuer and the material uncertainty in relation to the Pension Fund property funds, as reported by Gloucestershire Pension Fund.</p>
<b>Value for Money arrangements</b>	<p>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').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Tewkesbury Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 16 to 19.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>• To certify the closure of the audit.</li> </ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and do not expect to be able to certify the completion of the audit when we give our audit opinion, as we are awaiting the NAO Group auditor instructions to be able to discharge our responsibilities in relation to the Whole of Government Accounts. Should these not be available at the time of signing, we will not be able to issue the certificate at the same time as the opinion.</p>

## Acknowledgements

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

# Audit approach

## Overview of the scope of our audit

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

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

## Audit approach

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

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

We have had to alter our audit plan, as communicated to you on 25 March 2020, to reflect our response to the Covid-19 pandemic. These changes were communicated as part of our Audit Plan Addendum, shared with the Audit and Governance Committee on 4 May 2020.

## Audit approach (continued)

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Governance Committee meeting on 4 November 2020, as detailed in Appendix E. These outstanding items include those detailed on page 3.

### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	754,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the Net Cost of Services level was deemed as the most appropriate benchmark. This same benchmark was used in the prior period.
Trivial matters	37,000	5% of materiality was deemed an appropriate level
Materiality for senior officer remuneration disclosure	9,000	A lower level of materiality was determined for the Senior Officer Remuneration salary disclosure note in the financial statements due to the sensitivity surrounding these disclosures.

# Significant audit risks

## Risks identified in our Audit Plan

### 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; and

Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

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.

### The revenue cycle includes fraudulent transactions

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.

## Auditor commentary

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 7 August 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council 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;

There has been no change to our assessment reported in the Audit Plan and our audit work has not identified any issues in this area.

As reported in our Audit Plan, we have rebutted this presumed risk, 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 Tewkesbury Borough Council, mean that all forms of fraud are seen as unacceptable.

There has been no change to our assessment reported in the Audit Plan.

# Significant audit risks

## Risks identified in our Audit Plan

### 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.

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.

## Auditor commentary

We have:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness;
- obtained a full listing of journal entries and identified and subsequently tested any unusual journal entries for appropriateness; and
- evaluated the rationale for any changes in accounting policies and any significant unusual transactions or estimates; and
- Reviewed significant related party transactions outside the normal course of business.

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

### Valuation of land and buildings and Investment Properties

#### Land & buildings - £23,918,000

#### Investment Properties - £42,020,000

The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers and the sensitivity of this estimate to changes in key assumptions.

We have:

- Confirmed the values reported in the financial statements reconcile to the values provided by management's external valuer
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluate the competence, capabilities and objectivity of the valuation expert
- write to the valuer to confirm the basis on which the valuations were carried out
- challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register. We agreed the valuation inputs to source data, ensured the revaluation reserve impact had been appropriately treated, and corroborated the assumptions used by the valuer to supporting information; and
- We assessed management's disclosure of the material uncertainty in relation to Property, Plant & Equipment and Investment property valuations.

**Our audit work has not identified any issues in respect of valuation of land and buildings and investment properties. As management have disclosed a material uncertainty in relation to the valuation of land and building and investment properties, we have included an Emphasis of Matter paragraph in our draft audit opinion contained in Appendix E.**

# Significant audit risks

## Risks identified in our Audit Plan

### Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration

## Auditor commentary

We:

- identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;
- evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made;
- checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports
- gained assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding.
- Reviewed the differences between the amounts reported in the 2019-20 accounts and the actuary's IAS 19 report, and confirmed these differences related to the prior period McCloud Judgement impact not adjusted for. See Appendix C for details; and
- Confirmed that the updated Actuary report provided was not materially different to the draft version used by the council in preparing their accounts.

**Our audit work in this area is still outstanding as we await a receipt of the Pension Fund Auditor assurances.**

**Our audit work has identified that management have appropriately accounted for the valuation of the net pension fund liability and that the assumptions and source data used by the Actuary are appropriate.**

## Significant findings – other issues

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

Issue	Commentary	Auditor view
<p><b>IFRS 16 implementation has been delayed by one year</b></p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases</p>	<p>In our view IFRS 16 should be included as a standard issued but not yet adopted. The Council has provided an alternative view to this, and we are seeking further technical consultation.</p> <p>We will update the committee further at the meeting with an outcome.</p>	<p>TBC on conclusion of technical consultation</p> <p><b>Our work in this areas is still in progress at the time of writing.</b></p>
<p><b>Prior period adjustment between short and long term investments</b></p>	<p>During the year, the Council identified that one of its investments previously held as short term, should be more appropriately assessed as long term on reflection of the Council's intention to hold the investment for more than a year after the balance sheet date.</p> <p>The Council has amended for this in the prior period in accordance with IAS 8 and have produced an additional disclosure note, disclosed a prior period adjustments accounting policy and stated a third balance sheet to recognise the impact as at 1 April 2018.</p>	<p>We have reviewed the prior period adjustment disclosures for compliance with IAS 8 and are satisfied that they are appropriate.</p> <p>We have also confirmed that the re-classification is appropriate in line with the CIPFA code of practice.</p> <p>As part of our work, we identified presentational amendments that helped to make the note clearer to the user of the accounts, and management have amended for these as detailed in Appendix C.</p>
<p><b>Prior period adjustment relating to the Cash Flow statement</b></p>	<p>Management has used CIPFA's cashflow tool to support its preparation of the cashflow statement in 2019-20 and in doing so has revisited the presentation of key cash movements in both the current and prior year financial statements. As this has resulted in material changes, a prior period restatement has been required.</p>	<p>We identified that there was no prior period disclosure in relation to this error, and therefore requested that management include this, which they have done.</p> <p>We have confirmed that the restatement is appropriate and that the disclosures included by management comply with IAS 8 requirements.</p> <p><b>Our work in this areas is still in progress at the time of writing.</b></p>

## Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Provisions for NNDR appeals - £2.884m</b>	<p>The Council is responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required.</p> <p>Tewkesbury's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to the withdrawal of a significant appeal in year, the provision has decreased by £3.484m in 2019/20.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>assessed the appropriateness of the underlying information used to determine the estimate;</li> <li>We have reviewed the impact of any changes to valuation method;</li> <li>Reviewed the reasonableness of increase in estimate; and</li> <li>Confirmed the adequacy of disclosure of the estimate in the financial statements.</li> <li>Reviewed the statistics used in the underlying 2010 list calculations, to confirm they are appropriate and up-to-date.</li> </ul>	
<p><b>Our work in this area has identified a small difference between management's calculation and our assessment. This is driven by a timing difference in the calculation of statistics by management and by the audit team. See Appendix C for details.</b></p>			

### Assessment

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

## Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Land and Buildings – Other - £23.918m</b>  <b>Investment Properties - £42.020m</b>	<p>Other land and buildings comprises £12.902m of specialised assets such as leisure centres and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£11.050m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The council's investment properties are all valued at fair value. These properties total £42.020m.</p> <p>The Council has engaged Wilkes Head &amp; Eve to complete the valuation of properties as at 31 March 2020 on an annual basis. 100% of total assets were revalued during 2019/20.</p> <p>Management have considered alternative assumptions through challenge of the valuer on receipt of the valuations. Management has reviewed each individual asset valuation and challenged the valuer on items that seemed out of line from their expectations, or that had changed between the current and previous period.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5.</p> <p>The valuation of properties valued by the valuer has resulted in an increase of £1.294m across both Land &amp; buildings and Investment properties.</p> <p>The total year end valuation of Other land and buildings was £23.918m, a net increase of £35k from 2018/19 (£23.883m).</p> <p>The total year end valuation of Investment properties was £42.020m, a net increase of £1.159m from 2018/19 (£40.861m).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>undertaken a review of the work of management's expert (Wilkes Head and Eve). This assessment includes a review of their experience, capabilities and independence to the council. We have not identified any issues in these areas.</li> <li>considered the assumptions adopted by the expert. This includes a review of the consistency of the estimates with those provided to by Gerald Eve.</li> <li>confirmed the completeness of the data provided to the actuary by agreeing the amounts submitted for valuation back to the fixed asset register. No issues have been identified in this work.</li> <li>tested individual asset revaluations to confirm that the treatment of these assets within the financial statements has been correct, and that the source data used in these valuations agrees to underlying data. We have reviewed amounts to ensure the asset register and the valuation reports agree as well as reviewing the treatment in the council's reserves.</li> <li>reviewed the adequacy of fair value disclosures in the statement of account; and</li> <li>Reviewed the adequacy of management's disclosure of the material uncertainty reported by their valuer, Wilkes Head &amp; Eve.</li> </ul> <p><b>Our work in this area has not identified any issues with management's estimate calculations. We have identified that the valuer has reported a material uncertainty in relation to Land and Building and Investment Property valuations. Management have disclosed details of this uncertainty in their accounts, and we have referred to it in an emphasis of matter paragraph, included in our audit opinion. See Appendix E for details.</b></p>	

### Assessment

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

# Significant findings – key estimates and judgements

Accounting area	Summary of management’s policy	Auditor commentary	Assessment
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**Net pension liability – £28.8m**

The Council’s net pension liability at 31 March 2020 is £28.8m (PY £34.1m) comprising the Gloucestershire Pension Fund Local Government pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £5.998m net actuarial gain during 2019/20.

We have:

- reviewed the estimate, undertaking tests on the asset and liability elements of the net liability. Using analytical procedures we have compared actual results with expectations and have concluded that the results are reasonable;
- We have reviewed the work of Hymans Robertson, through the use of an auditor’s expert, PWC;
- We have undertaken an assessment of the actuary’s roll forward approach, including completing detail work to confirm reasonableness of their valuation approach.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.3%	2.3	●
Pension increase rate	1.9%	1.8% - 2%	●
Salary growth	2.2%	1.9% - 2.8%	●
Life expectancy – Males currently aged 45 / 65	22.4 / 21.7	21.6-23.3 / 20.5-22.2	●
Life expectancy – Females currently aged 45 / 65	25.3 / 23.9	24.6-26.3 / 22.9-24.3	●

- We have undertaken checks on the completeness and accuracy of the underlying information used to determine the estimate in order to determine the reasonableness of increase in the estimate. We have also ensured adequacy of the disclosure of the estimate in the financial statements.

**We have concluded that the assumptions used by the Actuary are appropriate, and our final conclusion awaits receipt of the pension fund auditor assurances, which are outstanding at the time of writing.**

**Assessment**

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

# Significant findings – going concern

## Our responsibility

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

## Going concern commentary

### Management's assessment process

The Council's accounts have been prepared on the going concern basis. Public sector bodies are assumed to be going concerns where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.

### Auditor commentary

We have subjected the 2019/20 Budget, MTFS to 2024/25 and cash flow forecast to November 2021 to detailed scrutiny and reviewed the planned savings proposals as part of the Council's MTFS in our consideration of the appropriateness of management's use of the going concern assumption.

In 2020/21, the Council expects to achieve a balanced budget, despite the estimated increase in costs from Covid-19, through funding from reserves. Additional funding from central government for income loss will reduce this overspend but at present it is unclear how much of Covid-19 related costs will be met by central government. If central government does not meet all Covid-19 related costs the Council will, as anticipated in the MTFS, need to meet the costs by utilising its earmarked reserves. However, the Council's reserves position is strong.

We have reviewed the Council's cashflow forecast for 18-month period to November 2021 and identified that the council has comfortable headroom over its cash balances. The Council's lowest cash position at the end of any month during the period under review is estimated to be £3.8m, which leave the Council sufficient head room for unexpected costs.

### Conclusion

At 31 March 2020 the Council's total usable reserves, excluding capital reserves, stood at £17.1m.

The Council has included Events after the Reporting Period disclosure in the Statement of Accounts in relation to the impact of Covid-19.

We have not identified any material uncertainty about the Council's ability to continue as a going concern.

## Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit and Governance Committee and management. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed
<b>Matters in relation to laws and regulations</b>	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.
<b>Written representations</b>	A letter of representation has been requested from the Council, which is included at agenda item 7 of the Audit and Governance Committee papers for the 4 November meeting.
<b>Disclosures</b>	Our review identified that a Prior Period Adjustment note was not included for the 2018-19 Cashflow restatement. Management have included this in the updated accounts, as reported in Appendix C.
<b>Audit evidence and explanations/significant difficulties</b>	All information and explanations requested from management was provided.

## Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<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. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
<b>Matters on which we report by exception</b>	<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"> <li>• 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</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
<b>Specified procedures for Whole of Government Accounts</b>	<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 procedures in respect of this area are still to be concluded. The NAO has not issued its auditor guidance yet, so we are unable to issue the certificate with our opinion. If this position changes prior to signing your opinion, we will complete the required work, and provide a certificate with the audit opinion.</p>
<b>Certification of the closure of the audit</b>	<p>We are currently unable to certify the closure of the 2019/20 audit of Tewkesbury Borough Council in the audit report, as detailed in Appendix E.</p>

# Value for Money

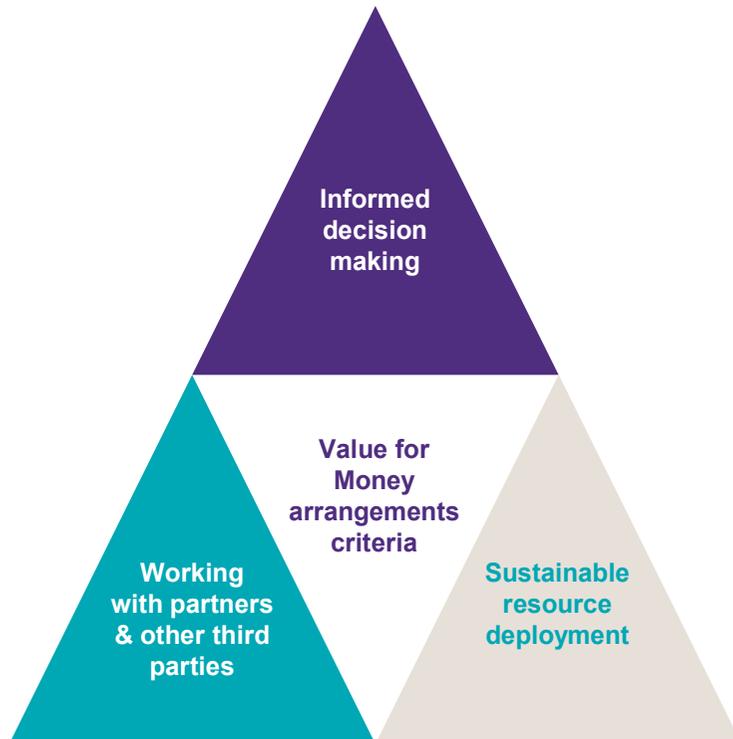
## Background to our VFM approach

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

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

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

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



## Risk assessment

We carried out an initial risk assessment in February 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated 25 March 2020.

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

# 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 considerations were:

- The Council delivered a revenue budget surplus in 2019/20 which was used to fund known commitments and allowed a transfer to reserves;
- Budget Monitoring reports taken to Executive Committee regularly and provide sufficient detail to allow members to effectively scrutinise budgets, and take remedial action should this be required;
- The latest version of the MTFS to be presented to members later this year, identifies a £4.8m revenue budget deficit by the end of 2024-25.
- The assumptions employed in the MTFS appear reasonable
- The uncertainty surrounding future levels of government funding.
- The council's growth agenda included as part of the MTFS approved by council in January 2020.
- The continued engagement of members and planned future increases to council tax income over the medium term is vital to ensuring the Council has a sound financial position.

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on pages 18 and 19.

## Overall conclusion

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

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

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

# Value for Money

## Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p><b>Ensuring Financial Sustainability for the medium term</b></p>	<p>The Council's MTFS is a key element of the overall strategy of the Council. The document takes a 5 year forward looking view, and is updated annually on a rolling programme to ensure that the budget priorities will be met, whilst having regard to future funding gaps. As a result the MTFS is a key strategic planning document.</p>	<p>On concluding our review we have identified the following recommendations.</p>
<p>Like many other similar local authorities, the financial outlook remains challenging.</p>	<p>The latest version approved by members in January 2020, was produced prior to the coronavirus outbreak. Management have therefore updated the MTFS and is scheduled to be considered by Council for approval in December 2020. In the interim, management also reported on the direct impact of coronavirus on the Council in 2020/21. This reporting was taken to the June 2020 Executive committee, and set out the direct costs, and direct funding the Council received as a result of the pandemic.</p>	<ul style="list-style-type: none"> <li>Given the uncertain nature of future government funding, Management should continue to closely monitor its MTFS, updating the finances on a regular basis. Officers should also report regularly to members, to ensure they are aware of the current position.</li> </ul>
<p>Looking forward, the Council's Medium-Term Financial Plan reflects a balanced budget position for 2019/20, followed by annual budget gaps which cumulatively lead to an estimated £4.8 million gap over the period 2020/21 to 2025/26 which reduces to £4 million if maximum council tax increases are approved. The Council's Business Transformation Strategy supports the delivery of additional income streams and service cost reductions in order to balance the budget.</p>	<p>The updated MTFS identifies a funding gap of £4.8m over the 5-year period to 2025/26.</p>	<ul style="list-style-type: none"> <li>The Council should also ensure it continues to monitor the additional pressures created as a result of the coronavirus pandemic, ensuring the council's position is reported in regular government returns, and the current position is reported to members on a regular basis.</li> </ul>
<p>There is a risk that financial plans are not sufficiently developed to close the funding gap, which in turn could impact on the council's ability to deliver services.</p>	<p>To address this deficit, the Council has looked at a mixture of income generation and savings measures. As the savings plans provide minimal impact, the Council's recent focus on addressing its funding gap has been through the use of commercialisation opportunities, to provide greater impact on the budget gap than efficiency savings. This is because there is limited opportunity for the Council to gain savings without impacting on service delivery, as the Council has already undertaken a number of schemes to save costs. In recent years the Council has completed re-configurations, undertaken shared service agreements and reviewed a number of commercialisation opportunities.</p>	<ul style="list-style-type: none"> <li>The Council should continue in its efforts to identify commercialisation opportunities to support the reduction of its budget deficit over the life of the MTFS.</li> </ul>
	<p>There is significant uncertainty around the future funding that will be available to the Council. In the updated MTFS, the Council has therefore assumed £nil funding in order to assess the worst-case scenario. This is assumed across all of the following funding areas; Local Government Finance Settlements; any potential New Homes Bonus replacement scheme; Covid-19 grants; and taxation loss funding.</p>	<p>In conclusion, although the Council faces a significant challenge to meet its future funding gap, positive steps are being taken to identify further commercialisation streams to support the Council in bridging the budget gap.</p>
		<p>Management report regularly on budget monitoring, and after the outbreak of covid-19, the Council included new reporting on the direct impact from the pandemic. This additional reporting enabled appropriate oversight of council finances.</p>

## Value for Money (continued)

Significant risk	Findings	Conclusion
<p><b>Ensuring Financial Sustainability for the medium term (continued)</b></p>	<p>The Council has also been heavily reliant on the New Homes Bonus scheme in the past, with almost 30% of its income being made up of grants from this scheme. Given the updated government plans for the New Homes Bonus Scheme, the Council has removed all future income streams from the MTFS, only including legacy payments.</p> <p>The final General Fund revenue outturn position for 2019-20 was a surplus position of £516,851. This was an increase against the quarter three forecast position and an improved position compared to prior periods. The budgeted transfer to reserves was £575,000 with an actual outturn transfer totalling £1,091,851. Total revenue reserves now stands at over £17.8m which puts the Council in a sound position moving forward. Per the updated MTFS, the Council intends to use £2.5m of reserves to fund the gap over the next few years, and should no additional funding be provided by government, it estimates an additional £1.9m will be required. Should reserves be called upon to fund this, the Council's useable reserves position in 2025/26 would be estimated at £13.4m which would provide it with sufficient resilience for the medium term.</p>	<p>From our review of the Council's Medium term financial strategy, we are satisfied that the assumptions used are appropriate and prudent.</p> <p>We therefore propose to conclude that management's arrangements for securing economy, efficiency and effectiveness were adequate in use of its resources in 2019/20.</p> <p><b>Management response</b></p> <p>The council faces an enormous financial challenge as we head in to the first part of the decade as we try to balance reductions in funding from austerity, the impact on public finances from coronavirus and the cost of delivering our services and ambitions to a growing Borough. In this environment, the MTFS becomes ever more important and whilst we continue to share updates on a regular basis with the Transform Working Group, we now intend to move the formal reporting to a biannual process to provide heightened awareness and understanding for all members of the council.</p>

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

### Audit and Non-audit services

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

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Benefit Claim	16,400	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 £16,400 in comparison to the total fee for the audit of £41,589 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

## Action plan

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed this recommendation with management and we will report on progress on this recommendation 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
 <b>Medium</b>	<p><b>The statistics used by management in the 2010 list NDR calculation</b></p> <p>In their calculation of the 2010 list NDR provision, management have used statistics from past settled cases to inform the percentage of the appeals that is provided for. In 2019-20 management updated their calculation, but completed the work based on February data. A small movement in the total data as at 31 March, has meant that an updated calculation indicates the provision is understated by £173k.</p>	<p>We recommend that management looks to review the statistics annually, as close to the year end as possible, to avoid any significant changes. If management undertake the review earlier in the period, we recommend that a sense check is undertaken to identify whether any significant movements have occurred. This will ensure that there are not material differences in the estimated provision.</p> <p><b>Management response</b></p> <p>We will continue to calculate the NDR provision using pre-March data however we will ensure we review this data using the year end information during the closedown process. We will only adjust the provision if the change is material.</p>

### Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

## Follow up of prior year recommendations

We identified the following issues in the audit of Tewkesbury Borough Council's 2018/19 financial statements, which resulted in three recommendations being reported in our 2018/19 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We identified an error in income testing of £55,872. The income amounts were included in 2018-19 when they related to 2019-20.	Management have addressed the issue by including the few non-invoiced items as at 31 March 2020 in their receipts in advanced review. We have not identified any errors in our income testing for 2019-20.
✓	One item in the cashflow statement, with a value of £25,000 could not be verified to an external source.	Our cashflow testing for 2019-20 did not identify any adjustments that we were unable to verify to a secondary source.
✓	Housing benefit debtors were overstated by £140,000 in the 2018-19 accounts. As the full amount had been provided for, the net impact on the balance sheet was £nil, however, ensuring the gross values are correct ensures that the notes to the accounts are correctly stated.	Management has taken steps to address the error identified in the prior period, and we have not identified the same type of error, however, we have identified a small error in our Housing Benefit debtors. The report used to recognize the debtors in the financial statements included two claimants whose debtor balance was incorrect. Both the actual and extrapolated errors (after extending testing) are trivial but recommend that management reviews their processes for recognizing Housing Benefit Debtors to ensure the risk of future errors is reduced.

### Assessment

- ✓ Action completed
- X Not yet addressed

# Audit adjustments

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

## Impact of adjusted misstatements

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.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
None			
<b>Overall impact</b>	<b>£Nil</b>	<b>£Nil</b>	<b>£Nil</b>

## Misclassification and disclosure changes

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

Disclosure omission / Misclassification	Detail	Adjusted?
Prior Period Adjustment – note 1	The original disclosure stated movements for 2018/19 and 2019/20 when they should have stated 2017/18 and 2018/19.	✓
IFRS 16	In our view IFRS 16 should be included as a standard issued but not yet adopted. The Council has provided an alternative view to this, and we are seeking further technical consultation. We will update the committee further at the meeting with an outcome.	TBC
Cash flow	As reported on page 9, We identified that there was no prior period disclosure in relation to the restatement of the 2018-19 cashflow statement, and therefore requested that management include this, which they have done.	✓
Pension Property Asset Material Uncertainty	The council had not disclosed a material uncertainty in relation to their share of the pension fund's property portfolio. As the Gloucestershire Pension Fund has reported a material uncertainty in relation to these assets, we requested that management include this disclosure, which has been appropriately included at Note 5.	✓
Note 12 - £606k of Revenue Expenditure Funded from Capital under Statute	In the Adjustments Between Accounting Basis and Funding Basis Under Regulations note, the Revenue Expenditure Funded from Capital under Statute was included in the capital grants line rather than the reversal of entries included in the Surplus or Deficit on the provision of services in relation to capital expenditure line.	✓

# Audit adjustments

## Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<b>1. The Council's net pension liability and associated notes are based on the values provided by the actuary using an 11 month actual, and 1 month estimated position. The updated actuary report identifies a few differences between the estimated and actual values reported. The council's normal processes include the use of the estimated report, however, due to anticipated volatility of investments due to covid-19 and the McCloud judgement, the authority obtained an updated Actuary report using Actual data, to confirm that the movements between estimated and actual data were not material.</b>				
Past Service Cost	-92			
Return on plan assets	59			
Present value of obligation		-92		
Fair value of plan Assets		59		
	<b>33</b>	<b>33</b>	<b>33</b>	Management have not adjusted as the amounts are not material
<b>2. NNDR Provision:</b> Management's calculation used statistics from an earlier date. The audit team's calculation based on the final IPP report for 2019-20 identified a small difference in the statistics, leading to a small difference in estimation between management's calculation and the audit teams.				
	173	173	173	Management have not adjusted as the amounts are not material
<b>Overall impact</b>	<b>£206</b>	<b>£206</b>	<b>£206</b>	

# Audit adjustments

## Impact of prior year unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<b>1. As reported in our prior period ISA 260 report, the impact of the McCloud Judgement was not amended in the Council's 2018-19 accounts, as management's view was this was not considered material . The Council has therefore included the unadjusted amounts from the prior period as non-material adjustments in the current period. These transactions mean that the following differences have been identified between the accounts and the 2019-20 actuary report. We are satisfied that management has followed the appropriate accounting treatment and complied with the CIPFA code in relation to this prior period misstatement.</b>				
Past Service Cost	-174			
Return on plan assets	-316			
Present value of obligation		-176		
Fair value of plan Assets		-316		
	<b>-492</b>	<b>-492</b>	<b>-492</b>	Management have not adjusted as the amounts are not material
<b>Overall impact</b>	<b>£-492</b>	<b>£-492</b>	<b>£-492</b>	

## Fees

We confirm below our fees charged for the audit and confirm there was one additional fee for the provision of non audit services.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council Audit	41,589	41,589
Additional Fees as a result of the impact of Covid		TBC
<b>Total audit fees (excluding VAT)</b>	<b>£41,589</b>	<b>£TBC</b>

We set out in our audit plan how the Financial Reporting Council's has set its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. This, coupled with the recent impact of Covid-19 and the time taken in managing the audit in a more remote working environment, has clearly impacted our work and we will need to review the actual audit inputs required at the conclusion of our work, to assess any fee implications arising from this.

We have reconciled the fees to the Council's financial statements (Note 32 – Audit Costs) below:

<b>Audit Fees per the financial statements</b>	<b>Fee</b>	<b>Comment</b>
<b>Fees payable with regard to external audit services carried out by the appointed auditor for the year</b>	<b>34,589</b>	<b>PSAA Scale Fee</b>
Fees payable with regard to certification of grant claims and returns for the year:		
Non-Audit Fee agreed upon procedures on the Council's Housing Benefit Subsidy Claim 2019-20	16,400	Per Housing Benefit fee quote
Additional Audit Fees approved by PSAA	7,000	As reported in Audit Plan
<b>Total audit and non- audit fees (excluding VAT)</b>	<b>£57,989</b>	

# Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## Independent auditor's report to the members of Tewkesbury Borough Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Tewkesbury Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including Note 2, a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the 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; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the 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 Head of Finance and Asset Management 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.

## 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 Head of Finance and Asset Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and Asset Management 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.

# Audit opinion

In our evaluation of the Head of Finance and Asset Management'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 property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings, property investments and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in note 5 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 both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

## Other information

The Head of Finance and Asset Management is responsible for the other information. The other information comprises the information included in the Financial Statements, the Narrative Report, and the Annual Governance Statement 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.

## 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, and 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 issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

# Audit opinion continued...

## Responsibilities of the Authority, the Head of Finance and Asset Management and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 1, 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 Head of Finance and Asset Management. The Head of Finance and Asset Management 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 Head of Finance and Asset Management 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 Head of Finance and Asset Management 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 Audit and Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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

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

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

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Audit opinion continued...

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

### **Use of our report**

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

Julie Masci, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol



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