Grant Thornton

The Annual Audit Letter for Warwickshire County Council and Warwickshire Pension Fund

Year ended 31 March 2020

17 December 2020

Contents

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Warwickshire County Council (the Council) for the year ended 31 March 2020, including our work on Warwickshire County Pension Fund (the Pension Fund).

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit & Standards Committee as those charged with governance in our Audit Findings Report on 28 September 2020 and Progress Report on 5 November 2020.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £13.941m, which is 1.5% of the Council's prior year gross cost of services. We determined materiality for the audit of the Pension Fund's financial statements to be £20m, which is 1% of the Pension Fund's prior year net assets.
Financial Statements opinion	We gave an unqualified opinion on the Council and Pension Fund's financial statements on 27 October 2020. We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings and the pooled property assets of the Pension Fund given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council and Pension Fund's financial position and their income and expenditure for the year.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our opinion on the Council's financial statements on 27 October 2020.
Certificate	We are unable to certify that we have completed the audit of the financial statements of Warwickshire County Council until we have finalised our work on an open objection.

Executive Summary

Working with the Council

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. As a key body in the frontline response to the pandemic, the Council has worked closely with key partners to provide public health advice, support care providers, establish shielding hubs, provide Personal Protective Equipment (PPE), support education and school planning and reassign staff to areas of need.

The Council has now established their formal recovery plan as the organisation make strides towards the next phase of the recovery and reorganisation from the pandemic.

Authorities were 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.

Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to new remote access working arrangements. This has been driven primarily by the use of technology and regular communication between the teams. We have both utilised video calling, screen sharing and other means to the fullest of our ability in order to carry out audit procedures and verify the completeness and accuracy of information.

The draft financial statements were published and provided to the audit team on 26 June 2020 and the audit has been conducted on an almost entirely remote basis, with members of the Council finance team making a limited number of visits to County Hall where necessary. Fortunately, both the audit team and Council finance team avoided any significant challenges through staff illness and lack of availability which enabled as to issue our audit opinions on 27 October 2020, ahead of the national deadline.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
December 2020

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's and Pension Fund's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

Council

We determined materiality for the audit of the Council's financial statements to be £13.941m, which is 1.5% of the Council's gross cost of services for the prior year. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower threshold of £697k, above which we reported errors to the Audit & Standards Committee in our Audit Findings Report.

We also set a lower level of specific materiality of £25k for senior officer remuneration. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

Pension Fund

We determined materiality for the audit of the Pension Fund's financial statements to be £20m, which is 1% of the Pension Fund's net assets for the prior year. We used this benchmark as, in our view, users of the Pension Fund's financial statements are most interested in the value of assets available to fund pension benefits.

We set a lower threshold of £1m, above which we reported errors to the Audit & Standards Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and the Pension Fund and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council and Pension Fund's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements (continued)

Council and Pension Fund Common Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work at both the Council and Pension Fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
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 expected current circumstances would 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 • For instruments classified as fair value through profit and loss (mostly in the Pension Fund) there may be a need to review the Level 1-3 classification of the instruments if trading may have reduced to such an extent that, quoted prices are not readily and regularly available and therefore do not represent actual and regularly occurring market transactions. • Financial uncertainty will require the Council's management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties have arisen; • Whilst the nature of the Pension Fund and its funding position (i.e. not in a winding up position or no cessation event) means the going concern basis of preparation remains appropriate management may need to consider 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.	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 We liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose. We have evaluated: • the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic • whether sufficient audit evidence could be obtained in the absence of physical verification of assets through remote technology • whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • management's assumptions that underpin the revised MTFS and the impact on management's going concern assessment	Our audit work has not identified any specific issues in respect of Covid-19. However, • In their report, the Council's external valuer confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Their valuations are reported on the basis of 'material valuation uncertainty'. • Similarly, two of the Pension Fund's investment managers, Threadneedle and Schroders, have highlighted valuation material uncertainty disclosures associated with pooled property funds as a result of Covid-19. As a result we have included Emphasis of Matters paragraphs highlighting these matters within our auditor's reports. These do not affect our opinion that the statements give a true and fair view of the Council's and Pension Fund's financial position and their income and expenditure for the year but are added to indicate a matter which is disclosed appropriately but which we consider is fundamental to a readers' understanding of the financial statements. The Council has also updated its disclosure of post balance sheet events, to include information relating to funding received since 1 April 2020 and other significant events.

Audit of the Financial Statements (continued)

Council and Pension Fund Common Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
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 Authority and the Pension Fund face external scrutiny of their 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.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied 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.	Our audit work has not identified any issues in respect of management override of controls in both the Council and Pension Fund.

Audit of the Financial Statements (continued)

Council Specific Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the Council.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of land and buildings **Land and Buildings - £605.3m** **Surplus Assets - £1.4m** **Investment properties - £23.6m** Following a full revaluation of its asset base in 2018/19 the Authority has now moved to revaluing 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 involved and the sensitivity of this estimate to changes in key assumptions. Management engaged the services of a valuer to estimate the current value as at 31 March 2020. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out • engaged our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation. • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.	Management have demonstrated through correspondence with the valuer their challenge of assumptions used in the estimation of asset values. 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 in relation to estimation uncertainty at Note 25. As noted on Page 6 we have included an Emphasis of Matter – 'effects of Covid-19 on the valuation of land and buildings' within our Independent auditor's report. This highlights the Council's disclosures to users of the financial statements. Our opinion is not modified in respect of this matter.

Audit of the Financial Statements (continued)

Council Specific Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of net pension liability **Net pension liability – £812.6m** The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statement. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • sought to obtain assurances from the auditor of Warwickshire 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.	The Council's total net pension liability at 31 March 2020 is £812.6m (PY £924.8m) comprising the Warwickshire Pension Fund Local Government Pension Scheme and unfunded defined benefit pension scheme obligations in relation to Firefighters and Teachers. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy ,discount rates ,salary growth and investment returns. There has been a £160.7m net actuarial gain during 2019/20. Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.

Audit of the Financial Statements (continued)

Pension Fund Specific Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the Pension Fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of Level 3 Investments (Annual revaluation) The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2020. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes for valuing Level 3 investments • reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently requested year-end confirmations from investment managers and the custodian • for all level 3 investment, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. We have reconciled those values to the values at 31 March 2020 with reference to known movements in the intervening period • we have evaluated the competence, capabilities and objectivity of the valuation expert in addition to the assurance gained from the audited accounts of the investment fund, and • reviewed investment manager service auditor report on design effectiveness of internal controls.	The Pension Fund has investments in infrastructure, Private Debt and unquoted equity investments that in total are valued on the balance sheet as at 31 March 2020 at £271.7m. These investments are not traded on an open exchange/, market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The fund are also supported by investment advisors who are independent from the fund managers who can advise on the performance of this type of investments. The performance of these investments are scrutinised by the Pension Committee. The value of the investment increased by £60.5m at 31/3/20, however Level 3 investments still only account for 13% of the fund. As highlighted, our audit work focuses on looking at external confirmations from both investment managers and the custodian, and as a result there will always be differences, which are largely as a result of timing differences in when information is received compared to the information available when management are estimating the values for the accounts. For this year, we identified four differences and when taken together this shows that the management estimate of investment values at year end is £5.2m less than more recently updated information. There were also differences on some Level 1 and Level 2 investments where the management estimate of investment values at year end is £1m more than more recently updated information. The net position is therefore £4.2m less than recently updated information. Given that our headline materiality is £20m, we are comfortable that these differences do not present of a risk of material misstatement of the fair value of your investments. Management has determined not to adjust for these. The differences referenced above do not indicate any weakness in management's arrangements for estimating investment values at year end.

Audit of the Financial Statements (continued)

Audit opinion

We gave an unqualified opinion on the Council and Pension Fund's financial statements on 27 October 2020.

Preparation of the financial statements

The Council and Pension Fund presented us with draft financial statements in June in accordance with the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to new remote access working arrangements. This has been driven primarily by the use of technology and regular communication between the teams. We have both utilised video calling, screen sharing and other means to the fullest of our ability in order to carry out audit procedures and verify the completeness and accuracy of information.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council and Pension Fund's Audit & Standards Committee on 28 September 2020 and 5 November 2020.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the draft Statement of Accounts in June.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of Warwickshire Pension Fund on 27 October 2020.

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO . We issued an assurance statement that did not identify any issues for the group auditor to consider on 4 December 2020.

Certificate of closure of the audit

We are unable to certify that we have completed the audit of the financial statements of Warwickshire County Council until we finalise our work an open objection.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the 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.*

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work. The risks we identified and the work we performed are set out below and overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Risks identified in our audit plan

Financial sustainability and delivery of long term plans

The Council has a good track record of delivering in year budgets and savings targets, it is forecast that a net underspend will be reported in 2019/20 and reserves will rise to £171m.

The medium term financial strategy has been updated to tie in with the 2020-25 Council Plan and will be updated annually to ensure it remains dynamic and robust.

The primary challenge at the current time is the uncertainty over the funding settlement which is yet to provide clarity in a number of areas such as business rates, Dedicated Schools Grant (DSG) and funding for pressures in the system such as adult social care.

In addition to this, to deliver a balanced budget, the Authority will need to deliver £6.2m of savings in 2020/21 increasing to £33m over the lifetime of the plan. This is considered to be a significant risk to achievement of the Medium Term Financial Strategy (MTFS).

Given these challenges we believe a residual VFM risk in respect of planning finances effectively to support sustainable delivery of strategic priorities and maintain statutory functions remains.

In response to this risk we have:

1) Reviewed performance in the period by comparing outturn position to budgeted for revenue and capital budgets, as we as assessing any achievement or shortfall of savings targets where applicable.
2) Held enquiries of key officers to understand the process in place for future medium term financial planning and reviewed underlying documentation to ensure assumptions are reasonable.

In light of the emerging issues of COVID-19, we have also had regard to the NAOs AGN 03 and considered two areas of potential VFM risk in relation to financial resilience and service failure.

Value for Money conclusion

Value for Money Risks (continued)

How we responded to the risk

The Council has achieved the underspend forecast against the general fund budget in 2019/20. It has made positive contributions to reserves as well as carry forwards to the 2020/21 budget. This will be critical to future sustainability and addressing the cost pressures brought on by the COVID-19 Pandemic.

The savings plan for 2019/20 assumed £14.2m of savings would be delivered which compared to £10.5m actual achieved. The residual balance of £3.7m relates primarily to looked after children and has been earmarked for delivery in future years or replaced by budget allocations. Across the three period of the One Organisational Plan the Council achieved 85% of its savings target of £56.5m. The Council has now transitioned to a 5 year rolling MTFS model which sets a balanced budget through to 31 March 2025.

As part of the transformation of services and design of the new MTFS, there has been increased scrutiny of budgeting and focus on the accuracy of forecasting. This has been beneficial in minimising the variations in budgeted position between quarters and demonstrates that financial management is becoming stronger.

We have reviewed assumptions in relation to resources and funding, permanent spending needs, savings and reserves over the life of the plan and are satisfied that these are reasonable. In particular, allocations have been made to areas which are currently experiencing, and are predicted to continue to see, greater demand such as education and social care. The reserves of the Authority will reduce over the period of MTFS to £173.9m by March 2021 and £152.7m by 2025 through a mixture of investment and other use but are forecast to remain strong. The CIPFA financial resilience indicator currently puts the Council at the top end (lower risk) in terms of level of reserves and therefore this position is unlikely to deteriorate significantly based on the MTFS forecast.

Findings and conclusions

In conclusion, we are satisfied that the Council has robust and appropriate arrangements in place to both deliver financial plans and plan for future financial sustainability, notwithstanding the additional pressures now presented by Covid-19.

In regard to the pandemic, the Council has been proactive in reshaping the MTFS, identifying emerging gaps in this and adding another dimension to quarterly and annual reporting which will be monitored as the organisation moves forward.

It is important however to recognise the significant challenges the Council faces and in particular the need to deliver £23m in savings plans in addition to those already identified in the MTFS. This is the primary risk to delivery of the plan and the Council must now work to mobilise the recovery plan and implement the framework it proposes.

Overall, there is a clear link between the overarching Council plan, MTFS and quarterly reporting, which has become further embedded during the year following the internal reorganisation and allows for easier alignment of these strands and a cohesive strategy.

A. Reports issued and fees

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

Fees

	PSAA Scale Fee £	Scope Changes Agreed £	Planned 2019/20 £	Impact of Covid-19 £	Proposed 2019/20* £	2018/19 Final Fees £
Statutory audit	72,795	15,000	87,795	13,169	100,964	81,795
Audit of Pension Fund	18,397	4,250	22,647	3,398	26,045	18,397
Total fees	**91,192**		**110,442**		**127,009**	**100,192**

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work and the recognition by the Council that the planned fee for 2019/20 reflected this. Subsequent to this, Covid-19 has impacted on the audit in several ways. These impacts include:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has driven additional areas of audit work
- Remote working – the most significant impact in terms of delivery is the move to remote working (both our teams and yours). We, as other auditors, are experiencing considerable delays as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of relevant staff (due to shielding, being diverted to other essential functions, or other additional Covid related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.

We have been discussing the impact Covid-19 has been having on audits with PSAA over the last few months and note that these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial and local government audit deadlines being extended by 4 months and the NHS deadline by a month. The FRC also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached https://www.frc.org.uk/covid-19-guidance-and-advice (see guidance for auditors) sets out the expectations of the FRC.

To date, we estimate that the issues highlighted above are increasing the time taken on audits by an average of 25%, in some cases higher. We understand from discussions with the ICAEW that this is similar to other firms. We have looked to mitigate this as far as possible through reduced travel time and travel costs and will absorb some of the remaining overrun ourselves. However, it is unlikely that this will not be sufficient to cover the full additional cost. We have proposed an additional 15% fee in relation to the impact of Covid-19 to bring the total audit fee up to £127,009.

* It should be noted that all fee variations are subject to PSAA approval.

A. Reports issued and fees (continued)

Fees for non-audit services

Service	Fees £
Audit related services - Certification of Teachers' Pension return	4,200
Non-Audit related services	
- CFO Insights subscription	10,000
- Provision of IAS 19 Assurance to scheme employer auditors	7,000

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 table above summarises all non-audit services which were identified.

- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor

Reports issued

Report	Date issued
Audit Plan	26 March and 27 April
Audit Findings Report	28 September and 5 November
Annual Audit Letter	17 December

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