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The Annual Audit Letter for City of Wolverhampton Council

Year ended 31 March 2019

27 August 2019



Contents



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Section

1. Executive Summary
2. Audit of the Financial Statements
3. Value for Money conclusion

Page

3
5
13

Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at City of Wolverhampton Council (the Council) and the group for the year ended 31 March 2019.

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 Committee as those charged with governance in our Audit Findings Report on 31 July 2019.

Our work

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 and group's 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 and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Materiality	We determined materiality for the audit of the Council's financial statements to be £16m, which is 1.9% of the Council's gross operating expenditure. Materiality for the Pension Fund was £110m (0.75% of the Fund's net assets).
Financial Statements opinion	We gave an unqualified opinion on the Council's and Pension Fund's financial statements on 31 July 2019.
Whole of Government Accounts (WGA)	We are in the process of completing our 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 except for the deficiencies we identified in respect of the Civic Halls Refurbishment. We therefore qualified our value for money conclusion in our audit report to the Council on 31 July 2019.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions, Housing Capital receipts grant and the Certification of Teachers Pension Returns. Our work on these claims is not yet complete and will be finalised by 30 November 2019. We will report the results of this work to the Audit and Risk Committee separately.
Certificate	We are unable to certify that we have completed the audit of the accounts of City of Wolverhampton Council as we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. We anticipate the Pension Fund Annual Report being available in September (ahead of the 1 December deadline) and therefore at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements.

Executive Summary

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in July, delivering the financial statements by the deadline, releasing your finance team for other work.
- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.
- Sharing our insight – we provided regular audit committee updates covering best practice.
- Providing training – we provided your teams with training on financial statements and annual reporting

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
August 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements (including the pension fund), 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.

Authority materiality

We determined materiality for the audit of the group financial statements to be £16.040m, which is 1.9% of the group's gross operating expenditure. We determined materiality for the audit of the Council's financial statements to be £16m, which is 1.9% of the Council's gross operating expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration. We set a lower threshold of £35,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

Pension fund materiality

For the audit of the West Midlands Pension Fund accounts, we determined materiality to be £110m, which is 0.75% of the Fund's net assets. We used this benchmark, as in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits. We considered the need to set lower levels of materiality for sensitive balances, transactions or disclosure in the accounts, and determined not to set any lower levels.

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 financial statements and the narrative report, Annual Governance Statement to check it is consistent with our understanding of the Council and with the financial statements 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'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

Authority 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.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 – <i>the Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements</i> - 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.</p>	<p>As part of our audit work, we considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority. We have determined as part of our planning procedures that the risk of fraud arising from revenue recognition can be rebutted.</p>	<p>We have not altered our assessment as reported in the audit plan and therefore have no issues to report in this regard.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Group faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as one of the most significant assessed risks of material misstatement for both the Group and Authority.</p>	<p>As part of our audit work, we:</p> <ul style="list-style-type: none"> • Gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • Obtained a full listing of journal entries, identify and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>We identified from our review of the journal control environment that both the Chief Accountant and the Director of Finance have the ability to post journals. In our opinion these posting rights are incompatible with the duties of these posts. This does not constitute best practice and as such we engineered our testing to obtain an appropriate level of assurance that this weakness did not give rise to a possible material misstatement.</p> <p>From the testing performed we are content that journals posted are appropriate, eligible and valid, and can be agreed to supporting evidence.</p> <p>The Council has now amended the access of these roles to the system, such that they are no longer able to raise and post journals.</p>

Audit of the Financial Statements

Authority Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings The Authority revalues all assets over £1m annually, with the remainder being revalued on a cyclical basis or as considered necessary in order to ensure that all assets are revalued at least every five years. This is to ensure that carrying value is not materially different from the current value at the financial statements date.</p>	<p>We have:</p> <ul style="list-style-type: none"> documented and 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 evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer, with follow up discussions as necessary, to confirm the basis on which the valuations were carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding 	<p>In our review of assets not valued and assets revalued before the year end we have identified a potential understatement of £12.2m.</p>
<p>Valuation of the pension fund net liability</p> <p>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.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> documented 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 evaluate 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; and, 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. 	<p>During the course of the audit, the Council has sought a revised report from the actuary in order to account for the impact of the recent "McCloud" judgement. This was provided in July and the accounts updated accordingly. The net pension liability on the balance sheet has therefore moved from £568m to £581m. We are satisfied that these adjustments have been reflected in the revised financial statements.</p>

Audit of the Financial Statements

Pension Fund 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.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 – <i>the Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements</i> - there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined with the exception of income from contributions (see overleaf) that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited and • the culture and ethical frameworks of local authorities, including the City of Wolverhampton Council as the administering body, mean that all forms of fraud are seen as unacceptable. 	<p>We have not altered our assessment as reported in the audit plan and therefore have no issues to report in this regard.</p> <p>We have not altered our assessment as reported in the audit plan and, whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect. We therefore have no issues to report in this regard.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>As part of our audit work, we:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtained a full listing of journal entries, identify and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions • evaluated the design effectiveness of management controls over journals 	<p>From the testing performed we are content that journals posted are appropriate, eligible and valid, and can be agreed to supporting evidence.</p>

Audit of the Financial Statements

Pension Fund Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Level 3 Investments Valuation is incorrect</p> <p>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.</p> <p>Under ISA (UK) 315 - <i>Identifying and Assessing the risks of Material Misstatement through Understanding the Entity and its Environment</i>, significant risks often relate to significant non-routine transactions and judgemental matters.</p> <p>Due to the lack of observable inputs Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end..</p> <p>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.</p> <p>We identified the valuation of level 3 investments as a risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none"> gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of any associated controls. We then tested the operating effectiveness of your controls to value level 3 investments (non direct property) 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 for a sample of investments, 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. Reconciled those values to the values at 31 March 2019 with reference to known movements in the intervening period we evaluated in more detail the arrangements the Fund has for assessing the competence and capabilities and objectivity of the fund managers as valuers, monitoring the valuations which they produce and assessing their overall governance and compliance. for direct property investments we undertook procedures to be satisfied that the Fund has appropriate arrangements to ensure valuers have been provided with a complete list of assets and agree values in total to the valuer's report and also review title deeds or land registry documents for ownership. We evaluated the competence, capabilities and objectivity of the property valuation expert and review instructions provided by management to valuers and their understanding of assumptions used. 	<p>Our work has not identified any significant issues in valuation of level 3 investments.</p>

Audit of the Financial Statements

Pension Fund Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Income from normal and deficit contributions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Normal contributions from employers and employees' represents a significant percentage of the Fund's revenue.</p> <p>Deficit contributions from a number of large scheme employers have been prepaid.</p> <p>In 2017/18 material adjustments were required to these entries and reported as a key audit matter. For West Midlands Pension Fund, we have therefore concluded that the greatest risk of material misstatement relates to contributions income.</p> <p>We have therefore identified the classification and accuracy of normal and deficit contribution income as one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the Fund's accounting policy for recognition of income from normal and deficit contributions for appropriateness; gained an understanding of the Fund's system for accounting for income from contributions and evaluated the design of the associated controls; agreed, on a sample basis, amounts recognised as income from normal and deficit contributions in the financial statements to source data; and rationalised contributions received with reference to changes in member body payrolls and number of contributing members to ensure that any unusual trends were satisfactorily explained 	<p>We did not identify any significant issues in income from normal and deficit contributions. We refer on page 17 to additional audit input required to complete this work.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2019.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline 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.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit and Risk Committee on 22 July 2019 and at the Extraordinary Audit and Risk Committee on 31 July 2019.

In addition to the key audit risks reported above, we identified the following issues/adjustments throughout our audit:

- The Council amended its date of valuation from 31 March to 1 April, meaning that both valuers have provided their valuations as at 1 April 2018. We therefore undertook significant additional work to satisfy ourselves that the carrying value as at 31 March 2019 was not materially misstated. From this we identified a potential understatement of fixed asset balances of £12.2m in assets as at 31 March 2019. This was not adjusted for on the grounds of materiality.
- An understatement of pension liabilities by approximately £1.7m in relation to the Guaranteed Minimum Pension ruling. This was not adjusted for on the grounds of materiality.
- An understatement of borrowing in relation to PFI schemes of approximately £2.2m. This was not adjusted for on the grounds of materiality.
- An understatement of expenditure of £2.4m as a result of payments made in the new financial year that should have been accrued for in 2018/19 but which were not. This was not adjusted for on the grounds of materiality.

- We identified 2 adjustments to the financial statements that have resulted in a £13.4m adjustment to the Council's Comprehensive Income and Expenditure Statement and a £15.6m adjustment to the Group's Comprehensive Income and Expenditure statement. This related to additional pension liabilities following the McCloud Appeal judgement in July 2019. This increased the pension liabilities of the Council and one of its subsidiary companies, Wolverhampton Homes Limited.
- Investment Properties are valued by the Council as at 1 April 2018 rather than the financial statement date. We have applied indices to the valuation performed as at 1 April 2018 to assess whether the Investment Property valuations in the financial statements are correct. The indices indicate a range of movement between 1 April 2018 and 31 March 2019 from -3% to 1.5%, which equates to a valuation difference of between -£1m to £0.5m misstated. We note that one asset does not appear to have been valued since 2015. The maximum impact is an undervaluation of circa 20% or £180k. These potential differences are not material and we therefore did not report them as unadjusted errors but recommended that the Council value its investment properties as at the balance sheet date.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

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.

Whole of Government Accounts (WGA)

We are in the process of carrying out work on the Council's Data Collection Tool in line with instructions provided by the NAO. Upon completion of this work we will issue an assurance statement to the group auditor.

Audit of the Financial Statements

Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of West Midlands Pension Fund on 31 July 2019.

Issues arising from the audit of the pension fund accounts

The Fund received an updated statement from the actuary which accounts for the impact of the McCloud ruling and this has been included in the updated final set of accounts. The actuary's estimate was of a possible increase in the pension liability at 31 March 2019 from £22.4bn to £22.6bn.

We reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.

We are satisfied that readers of the accounts have been provided with the information they need to understand the position within the disclosure notes, (i.e. the IAS19 estimate excluding McCloud and the explanatory note setting out the maximum potential impact of McCloud). As such we are satisfied there is no unadjusted misstatement in the financial statements.

There were no unadjusted or adjusted misstatements reported to those charged with governance.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of City of Wolverhampton Council in accordance with the requirements of the Code of Audit Practice.

We are unable to certify that we have completed the audit of the accounts of City of Wolverhampton Council as we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. We anticipate the Pension Fund Annual Report being available in September (ahead of the 1 December deadline) and therefore at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements.

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 November 2017 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 overleaf.

Overall Value for Money conclusion

We are satisfied that, in all significant respects, except for the matter we identified overleaf, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Medium Term Financial Resilience The scale and pace of change for local government will affect future projections and it is important the Authority is on track to identify and produce savings required to deliver balanced budgets in the future. The Authority is faced with finding further budget reduction and income generation proposals totalling £19.5 million over the period to 2019/20. There is therefore still a gap to address in terms of future funding and savings solutions.</p>	<p>As part of our work we have: We have reviewed the Council's Medium Term Financial Strategy and financial monitoring reports and assessed the assumptions used.</p>	<p>On the basis of the work performed we have concluded that the risk was sufficiently mitigated and we are therefore satisfied that the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
<p>Strategic Asset Management The Council's 2014/15 Annual Governance Statement noted that following the transfer of Corporate Landlord to City Assets (Place Directorate) in January 2015 the opportunity was being taken to further embed the Strategic Asset Management function. It was intended to ultimately establish a Strategic Asset Management Plan, rationalise the property base, and dispose of unneeded assets. It was noted in the 2015/16, 2016/17 and 2017/18 Annual Governance Statement that a Strategic Asset Plan had yet to be developed.</p>	<p>We reported last year that while we thought arrangements were adequate, the speed of implementation was slow. We have revisited the Council's progress against this for 2018/19 through discussion with officers and review of relevant documents.</p>	<p>On that basis of the work undertaken by the Council during 2018/19 and our findings above, we are satisfied that the Council has proper arrangements in place for managing and utilising assets effectively to support the delivery of strategic priorities in this respect.</p>
<p>Civic Halls Refurbishment Findings As part of our VFM conclusion for 2017/18 we noted that the Council had undertaken reviews during the year with regard to the build of Wolverhampton Markets, Wolverhampton Train Station and Wolverhampton Civic Hall. It had identified deficiencies with regard to the programme management of all three projects.</p>	<p>We have continued our work on the Civic Halls into 2018/19.</p>	<p>On this basis of the findings detailed within the Audit Findings Report, we have concluded that the management arrangement for the Civic Halls were not adequate and that therefore a qualified "except for" value for money conclusion will be given.</p>

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	10 December 2018
Audit Findings Report	31 July 2019
Annual Audit Letter	August 2019

Fees

	Planned £	Actual fees £	2017/18 fees £
Statutory audit	145,860	158,360	189,428
Audit of pension fund	37,438	52,012	61,618
Audit of subsidiary company Wolverhampton Homes Limited (1)	27,000	27,000	27,000
Audit of subsidiary company City of Wolverhampton Housing Company Limited, (trading as WV Living) * (1)	20,000	TBC	12,000
Audit of subsidiary company - Yoo Recruit Limited	13,500	TBC	15,000
Total fees	206,360	185,360	

Audit fee variation

As outlined in our audit plans, the 2018-19 scale fees published by PSAA assume 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 in both the audit of the Authority as well as the pension fund.

These are set out in the tables overleaf.

A. Reports issued and fees - Authority

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

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £145,860 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. These are set out in the following table.

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£3,000
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£2,000
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£2,000
VFM – Civic Hall	We undertook additional work to assess the Council's arrangements with regard to the Civic Hall.	£3,000
Governance	We undertook additional work in relation to laws and regulations.	£2,500
Total Additional fees for Authority		£12,500

These fee variations are subject to PSAA approval.

A. Reports issued and fees – Pension Fund

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

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £37,438 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. These are set out in the following table.

Area	Reason	Fee proposed
Additional work on contributions.	<p>The Fund has devoted significant resources to addressing the issues reported in the previous year. In 2018/19 controls were strengthened to ensure that employers can only make one submission per period, all contributions submissions are captured and also quarterly employer statements are being requested which can be reconciled to submissions on a more timely basis. There were however some remaining issues.</p> <p>Due to the volume of transactions and new processes still in implementation, there were challenges reconciling the cash position to the pension fund accounts. This meant that we were required to perform additional audit procedures to gauge the reasonableness of the information provided and spend time reconciling our interim and closing populations at the final accounts stage.</p> <p>As a result of this further investigations were needed to understand and test the new environment, and we have had to undertake additional audit work.</p>	£6,574
Pensions – IAS 19 letters	<p>In addition to the audit of the main financial statements, we are also responsible for the audit of the Pension Fund. In that capacity, we have been contacted by the auditors of other local authorities who are employer bodies of the pension scheme to provide assurance in terms of our work on the Pension Fund audit. Both PSAA, in the Terms of Appointment, and the National Audit Office, in its Auditor Guidance Notes, expects that auditors will cooperate with other local government auditors and therefore we are required to respond. Our estimate is that the fee for this will be £3,000 plus an additional £500 for each of the ten local government bodies which requested a letter of assurance.</p>	£8,000
Total Additional fees for Pension Fund		£14,574

These fee variations are subject to PSAA approval.

A. Reports issued and fees continued

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

Fees for non-audit services

Service	Fees £
Audit related services	
• Housing capital receipts	TBC
• Housing Benefit Subsidy Claim	16,000
• Teachers Pension Return	4,500
Non-Audit related services	2,500
- Final bill for Telecoms project for work undertaken in previous years, as reported in our 2015-16 Audit Findings Report. This is included in 2017/18 statements.	

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.

