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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

The Annual Audit Letter for South Lakeland District Council

Year ended 31 March 2020

26 January 2021

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 South Lakeland District Council (the Council) for the year ended 31 March 2020.

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 19 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'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'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 £1,380,000, which is 2**%** of the Council's gross operating expenditure for 2018/19.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 2 December 2020. We included an Emphasis of Matter in our audit report, highlighting property, plant and equipment valuation material uncertainties in respect of the Council’s own assets and those in the Council’s share of pension fund assets.
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.

Executive Summary

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 audit report to the Council on 2 December 2020.
Certificate	We certified that we have completed the audit of the financial statements of South Lakeland District Council in accordance with the requirements of the Code of Audit Practice on 2 December 2020.

Working with the Council

Restrictions for non-essential travel has meant both Council and audit teams have had to adapt to new remote access working arrangements. This has included the use of video calling and screensharing for the verification of completeness and accuracy of information produced by the entity, and information sharing through our cloud based software. We have also held virtual meetings with management and have attended Audit Committees virtually.

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
January 2021

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council'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.

We determined materiality for the audit of the Council's financial statements to be £1,380,000, which is 2% of the Council's gross operating expenditure. 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 also set a lower level of specific materiality for senior officer remuneration of £5,000.

We set a lower threshold of £69,000, above which we reported errors to the Audit Committee in our IAS 260 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 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'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

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
Financial reporting and accounting implications relating to the Covid-19 pandemic 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.	We worked with management to understand the implications of and 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 25 June 2020. We also: • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose • 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 using alternative approaches whilst working remotely • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and pension fund net liability valuations • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and • discussed with management the implications for our audit report.	The results of our work concluded that appropriate arrangements have been put in place to manage the Covid-19 situation and suitable disclosures have been made in the financial statements. This includes the use of alternative arrangements in the decision-making process as permitted by the Council Constitution. We were able to obtain sufficient audit evidence by utilising screensharing for the verification of completeness and accuracy of information produced by the Council, and share information through our cloud based software. Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer disclosed a material valuation uncertainty within their valuers report (in line with RICS Red Book Global). The Council disclosed this material uncertainty within Note 4 of the financial statements. We reflected your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty. Similarly, there is also an impact of Covid-19 on the valuation of the LGPS pension fund property assets. Cumbria's Local Government Pension Scheme's accounts include a material uncertainty around the valuation of pension fund's property assets and the auditor of Cumbria Pension Fund included an emphasis of matter in their auditor's report in respect of the effects of Covid-19 on the valuation of its direct and indirect property holdings. Therefore, the Council's financial statements disclosures were updated within Note 4 to reflect this and our audit opinion also contained an "emphasis of matter" paragraph in this respect.

Audit of the Financial Statements

Significant Audit Risks - continued

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
Improper recognition of revenue - fees and charges Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. For South Lakeland District Council, we have concluded that the greatest risk of material misstatement relates to fees and charges income. We have therefore identified the occurrence and accuracy of fees and charges income as a significant risk, which was one of the most significant assessed risks of material misstatement. We rebutted this presumed risk for the other revenue streams of the Council because: • other income streams are primarily derived from grants or formula based income from central government and tax payers; and • opportunities to manipulate revenue recognition are very limited.	We have: • evaluated the Council's accounting policy for recognition of income from fees and charges for appropriateness • gained an understanding of the Council's system for accounting for income from fees and charges and evaluated the design of the associated controls; and • agreed, on a sample basis, amounts recognised as income from fees and charges in the financial statements to gain assurance over occurrence and accuracy.	Our audit work did not identify any issues in respect of revenue recognition.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	Our audit work did not identify any evidence of management over-ride of controls.

Audit of the Financial Statements

Significant Audit Risks - continued

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
Valuation of land and buildings The Council revalues its land and buildings on a rolling four-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£60.663m in the Council's 2019/20 accounts), and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets), at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	The Council's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. 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; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council'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 Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the period and how management has satisfied themselves that the carrying value is not materially different to the current value at year end.	Our audit work did not identify any issues in respect of valuation of land and buildings. However, we raised a recommendation that management conducts a formal assessment of assets not revalued in the period going forward. Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer disclosed a material valuation uncertainty within their valuers report (in line with RICS Red Book Global). The Council disclosed this material uncertainty within Note 4 of the financial statements. We reflected your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty.

Audit of the Financial Statements

Significant Audit Risks - continued

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
Valuation of net pension liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£36.335m in the Council's 2019/20 balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their actuary for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and • obtained assurances from the auditor of Cumbria Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.	Our audit work did not identify any significant issues in relation to the risk identified. However, we drew your attention to a national issue relevant to all local authorities to consider and assess how the result of the consultation on reforms to public sector pension schemes, and in particular the impact on last year's McCloud case, has impacted upon the valuation of the pension fund net liability and the pension reserve. We also noted that Cumbria's Local Government Pension Scheme's accounts included a material uncertainty around the valuation of pension fund's property assets and the auditor of Cumbria Pension Fund included an emphasis of matter in their auditor's report in respect of the effects of Covid-19 on the valuation of its direct and indirect property holdings. The Council's financial statements disclosures were updated within Note 4 to reflect this and our audit opinion contained an "emphasis of matter" paragraph in this respect.

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 2 December 2020.

Preparation of the financial statements

The Council presented us with draft financial statements on 25 June 2020 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.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 19 November 2020.

In addition to the key audit risks reported above, we identified the following issues throughout our audit that we have asked the Council's management to address for the next financial year:

- Carry out periodic Companies House directorship searches to enhance controls around the identification of related party transactions.
- Conduct a formal assessment of assets not revalued in the period to gain assurance that the carrying value is not materially different to the current value at year end.

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 within the draft Statement of Accounts in June 2020.

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 carried out work in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of South Lakeland District Council in accordance with the requirements of the Code of Audit Practice on 2 December 2020.

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 overleaf.

As part of our Audit Findings Report agreed with the Council in November 2020, we agreed recommendations to address our findings.

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.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
Financial sustainability including arrangements around the Medium Term Financial Plan (MTFP) and delivery of Customer Connect The Council's MTFP is predicated on delivering changes to the way in which services are delivered. The Council has identified proposals for reducing spending and increasing efficiency. The MTFP includes a number of key projects, including the new operating model for the Council under the Customer Connect programme. SLDC has a strong history of financial control, however the Council will face a challenging environment in the short to medium term. The MTFP 2020/21 to 2024/25 projects an annual revenue surplus total of circa £47,000 in 2020/21 but this is a one-year only surplus with a projected deficit for £0.9m in 2021/22 rising to circa £2.7m by 2024/25. The projections are heavily reliant on the delivery of the Customer Connect programme, which has substantially reduced future budget deficits. There are considerable uncertainties over various revenue streams in the medium term due to the uncertainty around the future of the Business Rates Retention Scheme and the reliance on Customer Connect efficiencies. As a result the Council has to apply a number of estimates and key judgements to compile the MTFP.	**2019/20 Outturn and delivery of Customer Connect** The Council largely delivered against an ambitious budget in 2019/20, reporting a small overspend on the General Fund of £89,000 arising from Covid-19 costs and income reductions incurred in March 20. This outturn position included the delivery of £735,000 of Customer Connect savings in-year, through implementation of the Council's new operating model in January 2020. As communicated to the 24 June 2020 Cabinet, the main driver of the 2019/20 outturn position was a staffing underspend of £90,000 before carry-forwards, achieved through delivery of the £740,000 Customer Connect savings target and the 4% vacancy allowance built into the 2019/20 working budget. This outturn position aligned to the forecast outturn position reported to Cabinet throughout 2019/20, demonstrating clear articulation and delivery against a set of core financial objectives and implementation of robust financial control. The 2019/20 outturn position included a number of over/underspends at a service level, which were subject to £1.206m of approved carry-forward expenditure into 2020/21, funded through adjustments to planned reserve usage. The most significant carry forward request related to the training and Ignite contract element of the Customer Connect programme of £875,000, which has slipped into 2020/21 due to Covid-19. The net service position includes £188,000 savings relating to the Council's insurance costs arising from a re-tendering exercise, which has helped to mitigate overspends in Kerbside recycling of £206,000 and shortfalls against income generation targets for Car Parking of £97,000 due to Covid-19, the Caravan Site of £83,000 and sales of recycling materials of £130,000. In regards to delivery of its Capital Programme, the Council reported a significant underspend of £3.167m (44%) against its 2019/20 budget of £7.241m. Slippages were largely focussed on grant funded projects where the Council is reliant on partner organisations for delivery. The Council attempted to mitigate its potential exposure to clawbacks from grant funding bodies through initiating dialogue to obtain approvals for re-profiling expenditure into future years. At the time of reporting, the Council's risk appetite meant that delivery of the revenue budget side of the MTFP is not heavily dependent on the Capital programme. However, with planned capital expenditure of £34.826m approved for the period 2020/21 to 2021/22 at the February 2020 Cabinet. The Council should aim to learn lessons from previous capital projects and continue to review its capital programme spend profile in the context of Covid-19 to ensure it still meets its corporate objectives. Total usable reserves at 31 March 2020 increased to £26m against the balance as at 31 March 2019 of £24.529m. The Council's General Reserves stood at £6.443m, inclusive of a working balance of £1.5m and a general reserve balance of £4.943m. This General Reserve balance is £1.063m higher than the Risk Based Reserve balance proposed in the Council's February 2020 MTFP update, which was produced before the Covid-19 pandemic. Overall, the Council's 2019/20 outturn demonstrated that it is able to deliver ambitious transformation programmes. Given its heavy reliance on income generation to deliver a balanced budget, the Council will need to undertake further transformation to meet its medium term shortfall.

Value for Money conclusion

Value for Money Risks - continued

Risks identified in our audit plan	Findings and conclusions
Financial sustainability including arrangements around the Medium Term Financial Plan (MTFP) and delivery of Customer Connect	**2019/20 Outturn and delivery of Customer Connect - continued** In this context, our action plan contained the following recommendation: • The Council should carry out a post-implementation review of the Customer Connect programme, to ensure the benefits articulated in the original business case have been delivered against and to identify areas where the governance and financial management arrangements over savings delivery can be further strengthened. **Medium Term Financial Plan and impact of Covid-19** The MTFP for 2020/21 to 2024/25 approved by Council in July 2019 and updated in February 2020, demonstrated that appropriate steps were being taken to ensure a balanced budget position was maintained despite considerable uncertainties around future Government funding. The key source of uncertainty for the majority of 2019/20 in relation to compiling and maintaining the MTFP related to assumptions around income from business rates from April 2020 when the current multi-year settlement was due to end. The MTFP produced in July 2019 clearly articulated this uncertainty and prudently assumed the level of annual reductions in Government funding since 2013 would continue from April 2020. It also quantified that income retained by the Council from 2020/21 could vary by around 30% or £900,000 per annum. This created a potential upside within the 2020/21 financial position, which was realised when the Government announced a one-year local government finance settlement that left the Council with additional 2020/21 income of £1m more than previously anticipated. This combined with a 2% increase in Council Tax, enabled the Council to set a balanced budget for 2020/21 in February 2020, with a small revenue surplus anticipated in the first year of the MTFP. However, the February 2020 MTFP acknowledged that this one-off income boost would not mitigate budget gaps that were anticipated to increase from a £943,000 deficit in 2021/22 to a £2.778m deficit in 2021/22. Key assumptions underpinning the MTFP remained prudent throughout 2019/20 and were based on a continuing desire to exercise strong budgetary control over Council Services. These key assumptions included a projected 2% pay award, maintaining a 4% vacancy factor within workforce budgets, inflationary growth in contract expenditure and inflationary growth in service income. These assumptions were subject to sensitivity analysis and scenario planning that modelled an additional 1% change in key assumptions. A further way that the Council responded to and sought to manage key uncertainties in its MTFP is through determining an appropriate level of general reserves, based on a range of reasonably possible risks that the Council may face over the medium term. The February 2020 MTFP determined the level of financial exposure facing the Council to be £10.325m, with a recommended Risk Based Reserve Balance of £5.380m (50%) to be maintained throughout the MTFP period. Whilst these assumptions were based on best estimates at the time, they did not account for the potential impact of a global pandemic. The Council rapidly responded to the pandemic, updating its MTFP in July 2020 to model the significant changes to the financial environment that it will need to operate in as it continues to respond to, and planned for the aftermath of, an unprecedented global pandemic.

Value for Money conclusion

Value for Money Risks - continued

Risks identified in our audit plan	Findings and conclusions
Financial sustainability including arrangements around the Medium Term Financial Plan (MTFP) and delivery of Customer Connect	**Medium Term Financial Plan and impact of Covid-19 - continued** Projections reported to Cabinet in July 2020, quantified that the Council will need to find revenue savings of between £1m and £1.5m to set a balanced budget for 2021/22. Further recurring savings of £1m will need to be identified by February 2022. The Council's projections at July 2020 suggest a total cost of Covid-19 to the Council of £9m over the 5-years covered by the financial plan, of which it is expected that £3m will be offset by Government grant. The remaining £6m will need to be met initially from reserves and, in the longer term, from savings elsewhere in revenue budgets. As at July 2020, it was expected that the Council will need to use between £1.5m and £2m of General Reserve in 2020/21 to offset the costs of Covid-19. The Council's MTFP as at July 2020 assumes the levels of reserves are restored by the end of the 5-year model. Overall, actions taken by the Council during 2019/20 ensured that it entered the Covid-19 pandemic with levels of reserves informed by a robust MTFP that adequately identified and attempted to mitigate a number of key known risks and uncertainties. However, like all other organisations, the Council was unable to reasonably plan for a global pandemic within its current MTFP process. As the Council is heavily exposed to heavy reliance on car parking and other leisure related income to deliver its financial objectives, the impact on future revenue streams needs very close monitoring and management to maintain the Council's financial health. Given the scale of anticipated budget deficits arising over the medium-term due to Covid-19, we made the following recommendation: • The Council should continue to closely monitor and report on the ongoing impact of Covid-19 on its financial health, including agile responses through sensitivity analysis of various scenarios and its impact on future revenue and expenditure streams. Based on the review of the arrangements in place during 2019/20 for the compilation of the MTFP including delivery of the Customer Connect programme, we concluded that the overall risk was sufficiently mitigated and that the Council had proper arrangements in this area.

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	2 September 2020
Audit Findings Report	November/December 2020
Annual Audit Letter	27 January 2021

Fees

	Planned £	Actual fees £	2018/19 fees £
Statutory audit	50,505	58,080	47,505
Total fees	**50,505**	**58,080**	**47,505**

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £43,005 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.

Final fee variations are subject to PSAA approval.

Area	Reason	Fee proposed
Raising the bar	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. Accordingly we have increased the lever of supervision and leadership, as well as added additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.	2,500
Pensions – IAS19	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.	1,750
PPE valuation	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.	1,750
Covid-19 significant risk	Addition of a significant audit risk in respect of Covid 19.	1,500
Covid-19	The coronavirus global pandemic has impacted how people work. The delivery of the audit has been impacted by staff at audited bodies and audit teams working remotely to avoid spreading the virus. Accordingly, we have implemented changes to audit procedures to allow remote working.	7,575
Total		**15,075**

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services - HB certification	26,400
Non-Audit related services - None	Nil

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.

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Grant Thornton