

Interim Audit Findings for Medway Council

Year ended 31 March 2021

16 December 2022



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

Name : Darren J Wells
For Grant Thornton UK LLP
Date : 16th December 2022

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Medway Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

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

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Audit progress

Our audit work has been undertaken predominantly remotely with our team spending one day a week on site at the Council offices to pick up testing and queries with officers face to face where possible. However, our testing work has largely been completed remotely via Teams as most of the Council's officers are predominantly working from home. This means that some of the difficulties of auditing remotely continued to be present for the 2020/21 audit as it takes longer to complete audit testing and clear queries remotely.

Early testing for the audit began in March - April 2022, however the bulk of the audit work was planned for July to September 2022. As this period coincided with a popular time for summer holidays, this resulted in limited staff availability over the period. Where possible, we tried to work around this and obtained staff availability information from the finance team. However, several of the audit requests required input from other service lines within the Council.

Due to either limited availability within the service department, general unavailability over the period (i.e. schools) or staff prioritising other work commitments, the audit requests turnaround time took longer than anticipated. For the reasons stated, some queries took up to a month to be cleared. As a large proportion of the audit is dependent on audit sample testing, in some cases audit conclusions could not be safely drawn until all requested samples had been received, processed and evaluated.

In addition to this, the audit relies on other third-party bodies whose input management rely on for the preparation of the financial statements. These bodies include banks, actuaries and property valuers. These third-party bodies are often involved in the significant areas of the financial statements and therefore their response to audit requests is vital.

One of the Council's professional valuers took a significant length of time to engage with the audit. The valuer was initially contacted on 14th July 2022, and after several follow-up emails and calls from both the Council and audit team, provided an initial response on the 23rd September 2022. A follow-up request was sent on the 29th September 2022 and a response was received 20th October 2022. This has been the pattern of engagement with the valuer. This means that a major significant risk area for the audit, valuation of land and buildings, remains at a very early work in progress stage.

There have been other challenges for both the finance team and the audit team in completing the audit including:

- revisions to the group accounts by management;
- some delays in samples being sent out by the audit team where they have been new to working with the populations/reports and have needed additional support;
- the audit quality and technical review process identifying further queries and samples to be selected.

All these factors have contributed to a delayed delivery timeframe from the planned end of September agreement. This has had a significant knock-on effect on our staffing arrangements for the audit where dates had to be moved around internally and audit team members had to move to other assignments as the agreed time frame for the Medway 2020/21 audit had come to an end.

To put this in perspective, the audit had a dedicated team of eight members of staff over the period (including the engagement lead and manager). This was one of our largest audit teams for the local government audit period. After September, this had to be reduced to three members of staff. This has caused increased handover, complexity and delay in completing the work.

1. Headlines

Audit progress (continued)

The audit team and Council team continue to work together closely and collaboratively, to minimise delays and complete other areas of the audit as quickly as possible. Weekly progress meetings are jointly held.

The findings in this report are therefore reported at a stage where the audit is still in progress noting that the significant audit risk areas of the audit still need to be completed and this could result in additional findings/adjustments to the statements.

We also note that there is a national issue around infrastructure assets affecting all local government audits where infrastructure assets are material, as is the case for Medway Council. A statutory override is expected to be implemented by the end of December.

Our findings to date are summarised in Appendix A - D. The adjustment to the Council's Comprehensive Income and Expenditure Statement and Balance sheet to date are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is currently on-going subject to the following outstanding matters;

- testing of property, plant & equipment. This includes Investment properties, HRA properties, infrastructure assets and other land and buildings;
- journals testing;
- cash and bank testing;
- provisions testing;
- pension liability testing;
- completeness of income testing;
- employee benefit expenditure testing and related remuneration disclosures;
- related parties testing;
- pooled budget fund testing;
- collection fund testing;
- minimum revenue provision review;
- group accounts audit;
- review of other information.

Once outstanding matters listed above are finalised, the following procedures will begin:

- manager and engagement lead review of outstanding audit work;
- agreeing additional findings and adjustments with management;
- review of the final set of financial statements;
- receipt of management representation letter.

Our aim as discussed with the Council's finance team is to have completed our audit fieldwork by the end of January. This is subject to the timely response to audit queries from the Council and its experts. A revised updated Audit Findings Report will then be presented to the Audit Committee at its meeting on 16th March 2023.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary was set out in the separate interim Auditor's Annual Report. This was presented to Audit Committee on the 3 November 2022. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings were set out in the separate interim Auditor's Annual Report and are summarised in the value for money arrangements section of this report.

Statutory duties

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

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

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

Our work under the Code is in progress and we are on course to issue our opinion in March 2023. We are unable to issue our completion certificate until:

- the required procedures in respect of the WGA have been performed.
-

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of all members of the group and is risk based, and in particular included:

- An evaluation of the group internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. {e.g. From this evaluation we determined that specified audit procedures were required for Kyndi Ltd.'s expenditure transactions and Medway Development Company Ltd.'s inventory } and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not altered the audit plan communicated to the Audit Committee March 2022.

Conclusion

Our audit of your financial statements is still ongoing and subject to outstanding items being resolved- as detailed in page 4 of this report. we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on March 2023.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff to date.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 17 March 2022 including the specific materiality levels set for cash and senior officers remuneration.

	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	£9,200,000	£9,000,000
Performance materiality	£5,980,000	£5,850,000
Trivial matters	£460,000	£450,000
Materiality for cash balances	n/a	£500,000
Materiality for Senior officers remuneration	n/a	£100,000



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>The revenue cycle includes fraudulent transactions (rebutted) [Group and Council]</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>In our Audit Plan we reported that having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and its subsidiaries, we had determined that the risk of fraud arising from revenue recognition could 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; • the culture and ethical frameworks of local authorities, including the Medway Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we did not consider this to be a significant risk for Medway Council and its subsidiaries. Our assessment remains consistent with that reported in our Audit Plan.</p> <p>Although not deemed a significant risk, we have undertaken sufficient audit testing to obtain assurance that revenue disclosed in the financial statements is materially correct.</p>
<p>Fraud in Expenditure Recognition (rebutted) [Group and Council]</p>	<p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered. Having considered the risk factors relevant to Medway Council and the nature of the expenditure at the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. Our assessment remains consistent with that reported in our Audit Plan.</p> <p>Notwithstanding our assessment that there isn't a fraud risk, we have tested all material expenditure streams and have not identified fraud in expenditure recognition from our audit testing.</p>
<p>Management override of controls [Group and Council]</p>	<p>We have:</p> <ul style="list-style-type: none"> - evaluated the design effectiveness of management controls over journals; - analysed the journals listing and determined the criteria for selecting high risk unusual journals; - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>Our audit work in this area is in progress. There are currently no matters to draw to the attention of the Audit Committee in respect of the identified risk. This is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 4 of this report.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings [Group and Council]	<p>We have:</p> <ul style="list-style-type: none"> • 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 to ensure that the requirements of the Code are met. • tested revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements. • assessed the value of a sample of assets in relation to market rates for comparable properties. • assessed a sample of Investment Properties in relation to market rates for comparable properties. • tested the reasonableness of the assumptions used by the valuer in valuing Investment Properties. <p>Our audit work in this area was severely delayed due to lack of engagement from one of the Council's property valuers as described on page 4 of this report and consequently this work is still in progress. It is too early to highlight if there are any audit issues to draw to the attention of the Audit Committee in respect of the identified risk.</p>
Group account [Group audit only]	<p>We have:</p> <ul style="list-style-type: none"> • evaluated management's processes and assumptions for determining group boundaries as part of our risk assessment and planning. • agreed consolidation schedules to supporting records • tested a sample of material consolidating adjustments to supporting records. • reviewed group accounting disclosures are in accordance with the Code. <p>The financial year 2020-21 marks the first year for the Council producing group accounts. Management submitted the first draft at the start of the audit in March and on review, we identified some audit issues and requested management to reconsider the group accounts and produce a second draft. Revised group accounts was provided by management on the 13th October 2022. We have since reviewed the accounts and sent management some further points for consideration. Management are working through the points raised and the audit team are progressing with testing in areas where auditable information is available.</p> <p>Therefore, our audit work in this area is in progress. Audit findings noted to date have been discussed with management. A summary of these discussions can be found in Appendix D of this report. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 4 of this report.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

[Group and Council]

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 statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£335m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

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

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

For the significant risk, 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 new management expert (the actuary Barnett Waddingham) 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;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

We have also:

- 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.

Our audit work in this area is in progress. There are currently no matters to draw to the attention of the Audit Committee in respect of the identified risk. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 4 of this report.

2. Financial Statements – Other risks

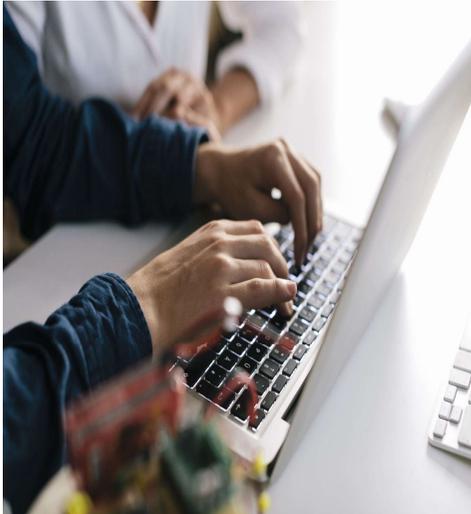
Risks identified in our Audit Plan	Commentary
<p>Completeness of non-pay operating expenditure and associated short-term creditors [Group and Council]</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set. gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls. obtained and tested a listing of non-pay payments made in April and May 2021 to ensure that they have been charged to the appropriate year. <p><u>Conclusion</u></p> <p>Our audit work in this area is in substantially complete. Audit findings noted to date have been discussed with management for consideration. A recommendation has been posed to management to review the de minimis level set. This can be found in Appendix A of this report. Other findings in regards to this risk are summarised in Appendix D. This conclusion is subject to the outstanding work set out on page 4 of this report.</p>
<p>Accounting for grant revenues and expenditure correctly [Group and Council]</p>	<p>We have;</p> <ul style="list-style-type: none"> discussed with management and understood the different types of material grants received during 2020/21 and what the conditions are in the grant agreements; understood the conditions for payment out to other entities, businesses and individuals; understood whether the Council should be acting as agent or principal for accounting purposes; and tested material grant revenues to see whether the Council has accounted for these correctly. <p><u>Conclusion</u></p> <p>Our audit work in this area is in substantially complete. We noted that the Council incorrectly accounted for the Better Care Fund grant. This will lead to an audit adjustment in the grants note of some £14.6 million. The Audit findings noted can be found in Appendix C.</p>
<p>Accounting for PPE capital additions [Group and Council]</p>	<p>We have;</p> <ul style="list-style-type: none"> discussed with management and understood the steps taken to identify any potential capitalised salaries inconsistent with applications of IAS16; tested a sample of capitalised salaries and agree to supporting records. <p>Our audit work in this area is in progress. There are currently no matters to draw to the attention of the Audit Committee in respect of the identified risk. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 4 of this report.</p>
<p>Accounting for provision of credit losses [Group and Council]</p>	<p>We have;</p> <ul style="list-style-type: none"> discussed with management and understood the revised model for calculating expected credit losses for consistency with IFRS 9. tested adequacy of expected credit losses provision for consistency with IFRS 9. <p>Our audit work in this area is in progress. There are currently no matters to draw to the attention of the Audit Committee in respect of the identified risk. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 4 of this report.</p>

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period. To date, no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	To date, we are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and to date, we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council in respect of the audit. Where specific representations are being sought (i.e. in respect of the Group), this will be highlighted to management.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banks, property valuers and the pension fund actuary via Kent County Council. This permission was granted and the requests were sent. At the time of writing, we are awaiting some responses from the banks to confirm a sample of schools bank balance and actuary responses to conclude on the relevant areas of the audit.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Where we have identified issues, this have been communicated to management. A summary can be found in Appendix C of this report.
Audit evidence and explanations/ significant difficulties	No significant issues have been noted from the information and explanations requested from management. Where audit evidence/ explanations remain outstanding, these are listed in the outstanding matters on page 4 of this report.

2. Financial Statements - other communication requirements



Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>To date, no inconsistencies have been identified. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 4 of this report.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>As part of our value for money work, we have noted a significant weakness in respect of improving economy, efficiency and effectiveness. This matter will be reported accordingly.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>For 2020-21 period, the council is above the minor body threshold and therefore will have to complete and submit a WGA return. This return will not be subject to a full audit however, we are required to submit an assurance statement intended to summarise key information and the results of the audit work.</p> <p>Note that this work is not yet completed in respect of WGA. These procedures will be completed at the conclusion of the audit.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of Medway Council in the audit report, due to incomplete WGA work. This will take place following the conclusion of the financial statements audit. This will be reflected in the audit opinion.</p>

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

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

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

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary was set out in the separate interim Auditor's Annual Report, which was presented to Audit Committee on 3rd November 2022.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Improving Economy, efficiency and effectiveness	<p>We considered how the Council:</p> <ul style="list-style-type: none"> - uses financial and performance information to assess performance to identify areas for improvement; - evaluates the services it provides to assess performance and identify areas for improvement; - ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve; - ensures that it commissions or procures services in accordance with relevant legislation, profession standards and internal policies, and assess whether it is realising the expected benefits. 	<p>For 2020-21, we find that most children covered by the Medway Council's Children's Service were not receiving a good enough service. Looking forward, we note that some costs within that Service have been growing rapidly since 2021-22 and that this may undermine efforts to improve the Service.</p>	<p>We have raised a Key Recommendation around medium term financial strategic planning and other areas of improvement required for the Children's Service.</p>

4. Independence and ethics

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

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

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

Service	Proposed Fees £	Threats identified	Safeguards
Audit related			
Agreed upon Procedures relating to the Pooling of Housing Capital Receipts	£7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence and in particular relatively low to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the work is carried out by a separate team to the financial statement audit team. In addition, there is a separate materiality for the work performed. This materiality is usually lower than the financial statements audit materiality. Therefore, this is unlikely to lead to material errors arising within the financial statements. The Council will be informed on findings from this work and management will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Agreed upon Procedures relating to the Teachers' Pensions end of year certificate	£6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence and in particular relatively low to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the work is carried out by a separate team to the financial statement audit team. In addition, there is a separate materiality for the work performed. This materiality is usually lower than the financial statements audit materiality. Therefore, this is unlikely to lead to material errors arising within the financial statements. The Council will be informed on findings from this work and management will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit subsidy claim	£29,750	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence and in particular relatively low to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the work is carried out by a separate team to the financial statement audit team. In addition, there is a separate materiality for the work performed. This materiality is usually lower than the financial statements audit materiality. Therefore, this is unlikely to lead to material errors arising within the financial statements. The Council will be informed on findings from this work and management will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. No non-audit services were identified which were charged from the beginning of the financial year to current date.

Appendices

A. Action plan – Audit of Financial Statements

To date, we have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>The Council's accrual limit at Income and Expenditure is £500</p> <p>As part of our audit work on income and expenditure testing, we have identified a number of transactions above the current accrual limit which were not accrued for. In some cases, as management are not able to identify the full impact of the lack of accrual or sufficiently isolate the error for audit purposes, this has led to an extrapolation of the error.</p> <p>The risk is that the extrapolated error could be significant and combined with unadjusted misstatements from previous years, lead to a compounded material misstatement.</p>	<p>Management should review and assess whether this accrual limit remains appropriate for future years. This assessment will be reviewed by auditors in 2021/22 audit.</p> <p>Management response</p> <p><i>We agree to undertake a review as to whether the accrual limit as set out in the Council's Accounting Policies remains appropriate for future years by the end of January 2023.</i></p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

As part of the audit of Medway Council's 2019/20 financial statements, we identified 16 recommendations which were reported in our 2019/20 Audit Findings report. In addition, two recommendations from 2018/19 were not addressed in 2019/20. We have followed up on all 18 recommendations and assessed the outcome in the following tables.

Assessment	Financial year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
✓	2018/19	<p>IT general controls</p> <p>Our review of IT general controls resulted in 4 medium priority recommendations around the following areas:</p> <ul style="list-style-type: none"> • Lack of segregation of duties between security administration and business management • Proactive reviews of logical access within Northgate iWorld • Lack of documented batch administration policies and procedures • Change control over Northgate iWorld and Integra batch jobs and schedules. 	<p><u>Auditors' commentary</u></p> <p>Our work on IT general controls has not identified any significant issues on these matters in 2020/21.</p>
TBD	2018/19	<p>Officers Remuneration disclosure</p> <p>We reported a significant proportion of the senior officer remuneration, remuneration bands >£50k and exit package notes were inconsistent with underlying evidence. The disclosure was restated in its entirety.</p> <p>We recommended your 2019/20 closedown, HR/Payroll related disclosure should be subject to senior officer review for consistency with supporting evidence.</p>	To be determined

Assessment

✓ Action completed

X Not yet addressed

TBD To be determined

B. Follow up of prior year recommendations

Assessment	Financial year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
TBD	2019/20	<p>Salary Capitalisation</p> <p>The Council applies a variety of methods to work out the salary recharge to capital that is inconsistent with expected accounting practice. The Code requires staff costs that are capitalised should always be actual costs to the organisation, without any ‘profit’ or overhead.</p> <p>Additionally, the method for capturing direct costs was not possible and the Council had to estimate the time staff had spent on capital projects to judge what the capital spend would have been.</p> <p>This causes a risk that ineligible salary costs are capitalised.</p>	To be determined
TBD	2019/20	<p>Bad Debt Provision</p> <p>The Council is required to consider the expected credit loss across its variety of Debtors. Within the Council tax bad debt provision, we identified significant deficiencies in the model used to determine the provision. As a result of this work, the Council reviewed its model and provided us assurance that the estimate was not materially misstated.</p> <p>We also note that the Council had no policy in place for determining expected credit loss for Trade debtors.</p> <p>Although we were satisfied the provision was not unreasonable for this financial year, following further work by the Council, it was clear the council had not been applying the expected credit loss model per IFRS 9 when assessing their provision for trade debtors.</p>	To be determined

Assessment

- ✓ Action completed
- X Not yet addressed
- TBD To be determined

B. Follow up of prior year recommendations

Assessment	Financial year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
x	2019/20	<p>School bank accounts (Academies)</p> <p>Our testing identified academies bank accounts with cash balances that should have been transferred to the respective academies.</p> <p>Risk that academies balances and reserves are incorrectly recognised as Council reserves.</p>	<p><u>Auditors' commentary</u></p> <p>Our work to date has identified that academies bank accounts are still included within the cash balances in the 2020/21 financial statements.</p>
TBD	2019/20	<p>Journals</p> <p>On receipt of journals from directorates into the 'receipt inbox', members of the Finance team carry out a review of the journals for appropriateness, separation of duties and authorisation within directorates, prior to approving the journals within the 'ready for processing' inbox for other members of the team to post the journal into the ledger.</p> <p>No audit evidence could be provided to demonstrate that a key management control was operating as designed increasing the risk or error and misclassification.</p>	To be determined
TBD	2019/20	<p>PPE valuations</p> <p>We note that £0.68m assets have not been valued within the last five years which is not in accordance with the Code and your accounting policy.</p>	To be determined

Assessment

- ✓ Action completed
- X Not yet addressed
- TBD To be determined

B. Follow up of prior year recommendations

Assessment	Financial year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
TBD	2019/20	<p>Cash and bank (reconciling items)</p> <p>We note from our creditor bank account testing that 4 out of our sample of 5 reconciling items remain uncleared as of 30 September 2020, some 6 months after year end.</p> <p>We note that the Treasury and Exchequer team were unable to provide evidence of who had authorised payment in 3 out of the 4 reconciling items.</p> <p>There is a risk that payments may be authorised without appropriate approval.</p>	To be determined
✓	2019/20	<p>Going concern</p> <p>Management prepare a going concern paper for audit purposes to support the going concern basis of the accounts. A similar paper is prepared for Those Charged with Governance (Audit Committee). Such a paper is considered to be good practice.</p>	<p>Auditors' commentary</p> <p>Management prepared a paper to support the going concern assessment for the 2020/21 financial year.</p>
TBD	2019/20	<p>Minimum Revenue Provision</p> <p>The impact of this change for 2019/20 is that under a 'corrected' calculation of your capital financing requirement (includes Adjustment A that had been excluded from 2015/16 and the removal of double counting of SCA approvals) the MRP on an annuity basis would be £3.371m. The actual MRP charge in 2019/20 is £1k. The Council intend to charge to the accounts £1k for the following 5 years. The 'calculated' MRP charge based on its adopted methodology for the period 2019/20 to 2025/26 is £19.96m.</p>	To be determined

Assessment

✓ Action completed

X Not yet addressed

TBD To be determined

B. Follow up of prior year recommendations

Assessment	Financial year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
TBD	2019/20	<p>Creditors (Note 33)</p> <p>Our sample testing of creditors identified two errors in 2019/20 as follows:</p> <ul style="list-style-type: none"> • Collection fund income that was incorrectly classified as deferred income, and • Creditor balance with no supporting evidence. Management believe the creditor was several years old and should have been written off. <p>Risk that creditor balance may be misstated.</p>	To be determined
TBD	2019/20	<p>MCG Financial Oversight</p> <p>As part of our review and testing of receivables as at 31 March 2020, we note a debtor of £4.1m with MCG of which £2.7m related to debtors greater than one year old. We challenged management if trade receivables greater than one year should be impaired in line with the Council’s policy. Management confirmed there was no current policy for impairment of trade receivables greater than one year.</p> <p>Risk that expected credit losses of trade receivables greater than one year are understated.</p>	To be determined
x	2019/20	<p>Disclosures</p> <p>Our work identified a number of disclosure errors within the draft accounts. This created additional audit work and amendments within the Council’s accounts.</p>	<p>Auditors' commentary</p> <p>Our work to date has identified a number of disclosure errors within the 2020/21 draft financial statements. We recommend management tighten the quality checks around the Council’s draft accounts.</p>

Assessment

- ✓ Action completed
- x** Not yet addressed
- TBD To be determined

B. Follow up of prior year recommendations

Assessment	Financial year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
X (Partial)	2019/20	<p>Identifying Internal recharges</p> <p>Our testing identified elements of internal recharges had been incorrectly included in CIES income and expenditure. This resulted both income and expenditure had been overstated. This was due to departments not posting journals in a way that allowed internal recharges to be identified consistently and accurately.</p> <p>This creates a risk going forward that income and expenditure will be overstated in the Council's financial statements.</p>	<p><u>Auditors' commentary</u></p> <p>Our testing of income and expenditure in 2020/21 has not identified any internal recharges which were incorrectly included in the CIES income and expenditure.</p> <p>Supporting working papers to the accounts should clearly identify the individual recharge transactions which were stripped out of the CIES income and expenditure statement to allow separate audit testing.</p>
TBD	2019/20	<p>Journals</p> <p>Our review of the trial balance identified a journal posted after the draft statements were produced. This was a Journal that was posted in error reclassifying £5,000k between short term creditors, short term debtors and short term borrowings.</p> <p>A subsequent review by the finance team identified this Journal was posted in error.</p> <p>Risk that post journal amendments to the accounts are inappropriately posted in the trial balance</p>	To be determined
x	2019/20	<p>IFRS 16 Leases (Note 2)</p> <p>The implementation of IFRS 16 has been further delayed to 1 April 2022. The Council's IFRS 16 disclosure in 2021/22 will need to include the estimated impact on the financial statements as at 31 March 2022.</p> <p>We will review the estimated impact on the assets, liabilities, income, expenditure and reserves within the financial statements as at 31 March 2022 as part of the 2021/22 audit.</p>	<p><u>Auditors' commentary</u></p> <p>To be addressed and reviewed as part of the 2021/22 audit.</p>

Assessment

✓ Action completed

X Not yet addressed

TBD To be determined

B. Follow up of prior year recommendations

Assessment	Financial year first identified	Issue and risk previously communicated	Update on actions taken to address the issue
TBD	2019/20	<p>Collection Fund Creditors and Receivables</p> <p>At the year end, the Council closes down its accounts and cash position based on Integra. As at 31 March 2020, the Council had collected £1.9m more business rates than was shown on Northgate. The impact is the Council's Collection Fund Receivables is reduced as a result.</p> <p>However, the Council at year end adjusted its Collection Fund Receivables/Creditors based on the Northgate system rather than Integra. The latter due to timing differences has not reflected the reduction in the debtors position. To balance Integra, the Council credited Collection Fund creditors with an equal value resulting in both debtors and creditors being overstated by £1.9m.</p> <p>The treatment above is a balance movement with no impact on general reserves.</p>	To be determined
TBD	2019/20	<p>Cash Accounts not correctly input within the General Ledger</p> <p>We identified a number of Bank accounts that were not disclosed in the General ledger, that were in the councils main bank statement. We tested 5 of these accounts and identified that 3 were third party accounts and correctly excluded. However two were noted by the council as accounts that the council owned and should be included within their Statement of accounts. The balance of these two accounts was £58k.</p> <p>This creates the possible risk of misappropriation of assets or the failure to effectively oversee and monitor the Council's bank accounts.</p>	To be determined

Assessment

- ✓ Action completed
- X Not yet addressed
- TBD To be determined

C. Audit Adjustments

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

Impact of adjusted misstatements

The table below presents all adjusted misstatements agreed with management to date. The table shows the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Note 26 – Financial instruments Our testing of Council borrowings identified short term borrowing incorrectly classified as long term borrowings. DR Long Term Borrowings CR Short Term Borrowings	nil	1,600 (1,600)	nil
CIES, Note 8 and Note 17- Grant income Our testing has identified that the council had overstated its income and expenditure in relation to the Better Care fund. This has no impact on the Deficit on Provision of Services.	14,600 (14,600)	nil	nil
Overall impact	nil	nil	nil

C. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure finding	Auditor recommendations
Cashflow statement and related note	The following adjustments will be made: -Adjustment to the comparatives for increase/decrease in debtors and creditors as they do not match the prior year figures. -An adjustment to be made amounting for £5m in Note 41, comparative balances for a non-cash movement, which the Authority failed to account for in the prior year. - An adjustment to be made transferring £25m from both ST and LT borrowings cash receipts to the non-cash movement column.
Note 3 – Critical judgements	We have requested that management make recommended changes to the note.
Note 4 – Estimation uncertainty	We have requested that management make recommended changes to the note.
Note 14 – Officers Remuneration	Our testing has identified that changes are required to the disclosure note.
Note 15 – External Audit costs	Our testing has identified that the changes are required to the note to match the agreed proposed fee for 2020/21
Note 21 – Property, plant and equipment	Our testing has identified that the comparative note for 2019/20 was omitted. In addition, Surplus assets FV hierarchy disclosure should also include a description of the inputs.
Note 37 – Defined Benefit Pension Schemes	Our testing has identified that in the sensitivity analysis table, "Adjustment to life expectation assumption in the current draft account is showing £21,124k however, per actuary report it should be £32,841k. Adjustment required to disclosure to match actuary report.
Note 43 – Contingent Liabilities	Our testing has identified that the LIDL & Cotton case should not be considered as a contingent liability, therefore should be excluded from the note.
Other notes to the accounts (MIRS, Note 9, 10, 20, 29, 35, 38)	A number of disclosure amendments have been recommended to management. Management should review mathematical accuracy, presentation, and/ or prior year disclosures of the notes as discussed.

C. Audit Adjustments



Impact of unadjusted misstatements

The impact of unadjusted misstatements is to be determined. We recognise that some audit findings are still under consideration by management. Therefore, the unadjusted misstatements are subject to the outcome of the findings under discussion and the outstanding matters listed on page 4 of this report.

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Council Tax Bad Debt Provision - the model used to estimate the council tax bad debt provision was updated during the year. The revision resulted in the Council's share of Provisions being understated by £3,664k. DR Expenditure CR Debtors	(3,664)	(3,664)	(3,664)
Collection Fund Creditors - we identified three errors within the Collection Fund Creditors as follows <ul style="list-style-type: none"> - difference between Integra and the Northgate Collection Fund system resulting in creditors and debtors being overstated (£1,923k) - misclassification of deferred income and other debtors being overstated (£201k) - input error from the collection fund model Collection Fund Creditors and Debtors were understated (£467k) DR Creditors CR Debtors	nil	1,657 (1,657)	nil
PPE Additions - error identified in over capitalisation of staff costs DR Expenditure CR PPE	(1,230)	(1,230)	(1,230)
PPE Additions - error identified following discussions with Council DR PPE CR Expenditure	560	560	560
PPE Additions - Consideration of the prior period impact of overcapitalisation on the General Fund. This was estimated by the council and therefore a range has been provided.			(821) To (1,565)
Overall impact	(4,334)	(4,334)	(5,155) to (5,899)

D. Other findings – matters discussed with management

Audit findings to be finalised by management

At the time of writing this report, the following matters have been noted as part of the audit work and are in discussion with management. Once finalised, the outcome of these findings will be reported in detail in the finalised Auditor's report. In addition to this, the conclusion of the audit findings are subject to the outstanding matters listed in page 4 of this report.

Matter	Auditor's commentary	Auditor's view	Outcome
Note 32 Cash and cash equivalents	As part of the audit testing on cash balance within the council's accounts, our testing has identified academies' bank accounts with cash balances are included within the bank balance. This should have been transferred to the respective academies.	Academies balances should not be included in the council's bank balances	To be determined
CIES & Note 8 - Fees and charges income	As part of the audit testing on fees and charges, our testing has identified a sample item above the accrual limit which was not accrued for.	Extrapolation of the error will be communicated to management to determine the impact of the error. If applicable or deemed appropriate further audit procedures will be carried out to reach a conclusion.	To be determined
Completeness of income	As part of the audit testing on completeness of income, our testing has identified a number of sample items above the accrual limit which was not accrued for.	Extrapolation of the error will be communicated to management to determine the impact of the error. If applicable or deemed appropriate further audit procedures will be carried out to reach a conclusion.	To be determined
Completeness of expenditure	As part of the audit testing on completeness of expenditure, our testing has identified a number of sample items above the accrual limit which was not accrued for.	Extrapolation of the error will be communicated to management to determine the impact of the error. If applicable or deemed appropriate further audit procedures will be carried out to reach a conclusion.	To be determined
Note 26 & 27 Financial instruments	We are following up a number of disclosure changes with management which include: - Narrative changes and - Accuracy of some of the figures disclosed.	Management should review the recommended changes to make appropriate changes to the notes	To be determined
Group accounts	We are following up a number of changes with management which include: - CIES comparatives - Balance sheet presentation - Movement in reserves statement - Group Note 1, 5 & 6	Management should review the recommended changes to make appropriate changes to the accounts	To be determined

E. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit – Scale fee published by PSAA for 2020/21	£109,687	£109,687
<i>Increased to scale fee 2020/21:</i>		
Additional work on Value for Money (VfM) under new NAO Code	£26,000	£26,000
Increased audit requirements of revised ISAs	£17,000	£17,000
Raising the bar/regulatory factors	£8,900	£8,900
Group accounts	£6,000	TBD
Complexity of audit	£10,000	TBD
Enhanced audit procedures for Property, Plant and Equipment	£9,000	TBD
Enhanced audit procedures for Pensions	£3,500	TBD
Total audit fees (excluding VAT)	£190,087	TBD
Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Housing Benefit subsidy claim	£29,750	TBD
Agreed upon Procedures relating to the Pooling of Housing Capital Receipts	£7,500	TBD
Agreed upon Procedures relating to the Teachers' Pensions end of year certificate	£6,000	TBD
No non-audit related services		
Total non-audit fees (excluding VAT)	£43,250	TBD

The proposed fees does not currently reconcile to Note 15 in the draft financial statements. We have communicated this to management as part of our audit findings to be amended accordingly.

All fee variances will be discussed and agreed with the Chief Operating Officer and PSAA.

