Commercial in confidence

Agenda item 7

DRAFT

Grant Thornton

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.

The Audit Findings for Ribble Valley Borough Council

Year ended 31 March 2020

16 November 2020

Contents

Your key Grant Thornton team members are:

Julie Masci
Key Audit Partner
T: 029 2034 7506
E: julie.masci@uk.gt.com

Sophia Iqbal
Audit Manager
T: 0161 234 6372
E: sophia.s.iqbal@uk.gt.com

Stuart Richardson
In Charge Auditor
T: 0161 953 6900
E: stuart.j.richardson@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	5
3. Value for money	18
4. Independence and ethics	21

Appendices	
A. Audit adjustments	23
B. Fees	24
C. Audit Opinion	26

Headlines

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

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council has had to administer grants to businesses. The finance team have had to adapt to cover other front line duties. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020	Our audit risk assessment included the impact of the pandemic on our audit and the audit plan. The plan included an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 7. Restrictions for non-essential travel has meant audit staff have had to work remotely although Council staff have been in the office. We have used video calling to have regular meetings with finance staff and also confirm the accuracy of information produced by the entity. The accounts were provided to us on the 28 August 2020. Working papers have been provided throughout the audit through our cloud based system we use called 'Inflo'. Although we are pleased to report that the Council has worked well with the audit team in collaborating to identify solutions to hurdles presented by remote working, there has been a increased challenge in this area due to the timeliness of receipt of some working papers. Our 'inflo' document sharing system has helped facilitate this but inevitably the remote working has impacted on delivery and additional resources have been necessary on both sides to complete the work in accordance with the new extended reporting timetable.
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 Council's financial statements: • give a true and fair view of the financial position of the Council and the 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), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed remotely during August-November . Our findings are summarised on pages 6 to 17. We have identified no adjustments to the financial statements that have impacted the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix A. Our work is ongoing and from the work completed to date there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the outstanding matters listed on page 5. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting property, plant and equipment and pension property valuation material uncertainties

Headlines

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

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Ribble Valley Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 18 to 20.
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 We have completed the majority of work under the Code and expect to be able to certify the completion of the audit once we receive instructions from WGA.

Acknowledgements

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

Audit approach

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- 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 had to alter our audit plan, as communicated to you on the 10 September 2020.

Conclusion

Our work on the audit of your financial statements is ongoing and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Accounts and Audit Committee meeting on 25 November 2020, as detailed in Appendix C. These outstanding items include:

- completion of going concern review, finalising the work on PPE valuations with the responses from the valuer, completion of cut-off testing, completion of work on the NDR Provision, and reconciling the payroll expenditure to the ledger.
- completion of a small number of outstanding audit procedures and review of the work;
- receipt of the final report from the auditor of Lancashire Local Government Pension Scheme;
- receipt of management representation letter; and
- review of the final set of financial statements and subsequent procedures.

Our approach to materiality

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

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

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	418,000	• This equates to 2% of your gross operating expenditure for 2018/19 year and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	313,500	• Based on 75% of materiality derived from the risk of misstatement
Trivial matters	20,000	• Based on a 5% of materiality
Materiality for Senior Officer Remuneration	5,000	• Due to the sensitive nature of the disclosure

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement	We: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 28th August 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. The results of our work concluded that appropriate arrangements had been put in place to manage the COVID 19 situation. Due to the potential impact of Covid-19 on the valuation of the Local Government Pension Fund (LGPS) property assets. Lancashire's LGPS accounts include a material uncertainty around the valuation of property assets and the fund auditor intends to include an emphasis of matter in their auditor's report in this regard. Your financial statements disclosures have been updated (note 6) to reflect this and our audit report will also contain an "emphasis of matter" paragraph relating to this matter. 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

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
ISA240 revenue risk – the Council's reported revenue contains fraudulent transactions. Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Ribble Valley Borough Council, mean that all forms of fraud are seen as unacceptable.	We rebutted this risk in our Audit Plan and no changes to our assessment have been reported in the audit plan.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We; • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work is complete, and has not identified any issues in respect of management override of controls to date.
Valuation of land and buildings (Periodic revaluation with desktop valuation in intervening years) The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£15 million) and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We: • 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 • wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Authority's valuer's report and the assumptions that underpin the valuation. • test revaluations made during the year to see if they had been input correctly into the Authority's asset register Our audit work is still in progress, we have discussed the requirement to disclose the material uncertainty around the PPE revaluation with the Council and the Council has subsequently made additional disclosures in Note 13. We need to review the responses from the valuer and corroborate the assumptions used.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of the pension fund net liability 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 (£15 million) in the Authority's balance sheet and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement	We; • 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 evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and At the time of drafting this report, we are yet to receive the information and assurances requested from the auditor of Lancashire Pension Fund that will enable us to conclude our procedures in this area. We are aware that there is a possibility that the Pension Fund Auditor will include an emphasis of matter in the audit report drawing attention to a material valuation uncertainty relating to the Fund's real estate portfolio. Where this is the case, we will need to consider the impact on our own report and the need for associated disclosure within the financial statements. Our audit work is in progress, but has not identified any issues in respect of valuation of the net liability.

Significant findings – other issues

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

Issue	Commentary
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	Note 4 makes brief reference to IFRS16. We are satisfied that your disclosure is consistent with the requirements of IAS 8.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals - £0.595m	The Council is liable for successful appeals against business rates charged to business in 2019/20 and earlier financial years in their proportionate share. A provision has therefore been made for the best estimate of the amount that businesses have been overcharged up to 31 March 2020. The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date. The provision has increased by £185,014 in 2019/20.	• Our audit work in this area is still outstanding. At the time of writing we are awaiting for detailed workings on the basis of calculation.	**TBC**

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £12.999m	Other land and buildings comprises £6.866m of specialised assets such as leisure centres and museums, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£6.36m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Taylor Weaver to complete the valuation of properties as at 31 March 2020 on a five yearly basis. 100% of total assets were revalued during 2019/20. Due to the profile of the portfolio of Council's assets, management do not deem it appropriate to value on an alternative basis. The assets valued on a DRC basis are sufficiently specialised that an alternate use would not be commercially viable for a prospective purchaser and there is little evidence of an active market for these assets to be able to value on an EUV basis. Contrary to RICS guidance, the Council's valuer has not disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures in Note 13 to outline Covid-19 has no impact on non current assets. The valuation of properties valued by the valuer has resulted in a net decrease of £2.81m. The total year end valuation of Other land and buildings was £12.999m, a net decrease of £2.021m from 2018/19 (£15.020m).	• We have no concerns over the competence, capabilities and objectivity of the valuation expert (Taylor Weaver) used by the Council. • The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including within which were the assumptions that were going to be applied to this work. • We have reviewed the assumptions applied by the Valuer to the valuation performed, and have confirmed they are reasonable and appropriate given the nature of the assets held by the Council. • There have been no changes to the valuation methods this year. • We have reviewed and are satisfied with the completeness and accuracy of the information provided to the valuer to determine the estimate • We have reviewed the work done by management on those assets not revalued during 2019/20 to confirm that the value held within the financial statements is not materially different to their carrying value. The Council have amended Note 13 to disclose the estimation uncertainty of Property, Plant and Equipment	

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £14.971m	The Council's net pension liability at 31 March 2020 is £14.971m (PY £15.413m) comprising Lancashire Local Government Pension Scheme (LGPS). The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2020. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy ,discount rates ,salary growth and investment return .Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £2.121m net actuarial loss during 2019/20.	We have no concerns over the competency, capability and objectivity of the actuary used by the Council. We have used the work of PWC, as auditor's expert to assess the methodology and assumptions made by the actuary. See below for consideration of the key assumptions used by the actuary.	●

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.3% – 2.4%	●
Pension increase rate	2.20%	2.20%	●
Salary growth	3.6%	3.35% - 3.6%	●
Life expectancy – Males currently aged 45 / 65	22.3 23.8	20.9 – 23.2 22.5 – 24.7	●
Life expectancy – Females currently aged 45 / 65	25 26.8	24 – 25.8 25.9 – 27.7	●

We have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by Mercers are reasonable for the purpose of valuing the liabilities at 31 March 2020.

Assessment

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

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
The most significant events that occurred during the year was the Covid-19 pandemic. We also discussed the assumptions underpinning the basis of valuation used on PPE.	During the year we have considered the challenges arising from Covid-19. We are satisfied that management responded swiftly and appropriately to the challenges of Covid-19. We are satisfied with the basis of valuation and are satisfied this meets the requirements of the Code.
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No disagreements with management occurred during the audit.
Other matters that are significant to the oversight of the financial reporting process.	None to report.

Significant findings – going concern

Our responsibility

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

Going concern commentary	Auditor commentary
Management's assessment process • Cash flow periods ended November 2021 • Judgements and assumptions taken	The 2020/21 budget was finalised in February 2020 and in late March the global pandemic of Covid-19 was announced affecting the economy and public sector bodies. The short term effects has resulted in increased costs for public service bodies to meet the needs of the public and uncertainty over future funding as the government looks to support a decline in the economy. This therefore affects the short to medium term budget forecasts for the Council. Assumptions underpinning the budget forecast in the short term are now uncertain. The Council approved a balanced budget for 2020/21. We have assessed the reasonableness of the assumptions underlying this forecast in light of the global pandemic and have reviewed management's cashflow forecast up to November 2021.
Work performed Management have provided us with a written assessment of going concern which we have reviewed in conjunction with cash flow forecasts and the MTFS.	Our work included: • determining whether the conclusions made by the management regarding the decision not to disclose any going concern material uncertainties in the financial statements were prudent and appropriate; • we have reviewed management's assessment in the light of the Council's position and the national context and assessed the underlying assumptions used to support management's preparation of the accounts on a going concern basis; • reviewing cash flow forecasts up to November 2021 to assess the existence of any material uncertainties related to going concern and ensuring the Council have cash to meet expenditure.
Concluding comments	Based on the audit work performed over the going concern assumption adopted by management, we are satisfied that it remains appropriate for the Council to prepare accounts on a going concern basis as at 31 March 2020. The Council have a reasonable expectation that the services they provide will continue for the foreseeable future. For this reason we consider it appropriate for the entity to continue to adopt the going concern basis in preparing the financial statements. We are finalising the review of the cash flow forecast however from work completed to date we do not consider there to be a material uncertainty which would cast doubt on the ability of the entity to continue as a going concern.

Other matters for communication

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

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Accounts and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	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 we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Accounts and Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the bank and investment bodies. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management are being provided. Our audit identified some delays with the audit evidence provided with the financial statements which has resulted in the audit taking longer to complete than in previous years. However we acknowledge the challenging circumstances with the remote working environment.

Other responsibilities under the Code

Issue	Commentary
Other information	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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix C.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters .
Specified procedures for Whole of Government Accounts	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. Detailed work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We will be able to certify the closure of the 2019/20 audit of Ribble Valley Borough Council.

Value for Money

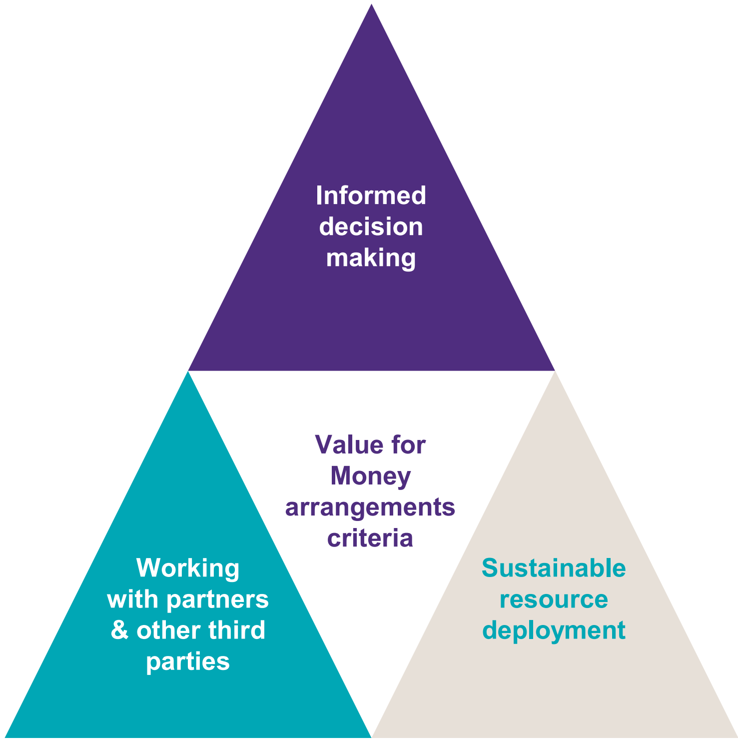
Background to our VFM approach

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

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

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

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



Risk assessment

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

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

We have not identified any new VfM risks in relation to Covid-19. We do not consider Covid-19 to be a significant risk given the date of the pandemic.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial Sustainability – reviewing the Councils financial outturn in line with the current events.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on page 20.

Overall conclusion

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

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

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Value for Money

Key findings

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

Significant risk	Findings	Conclusion
Financial Sustainability Consistent with previous years the Council has delivered its planned outturn for 2018/19 with a net revenue underspend of £47k. The council holds £9.272m in Earmarked Reserves and £2.472m in General Fund reserves. Although the Council were estimating budget gaps these have been met by the 19/20 finance settlement. Therefore although the Council is required to make savings they are not onerous and the Council has a good track record of achieving savings. However, in light of the events taking place in 2019/20 which include the floods and now COVID 19 we will review the impact of these issues on the Council's finances.	During 2019/20 the Council delivered a deficit of £96k which was transferred from the General Fund reserves and a revenue contribution to the earmarked reserve of £2.8m was made. £2.3m of Earmarked reserves were used to fund the capital program. Total earmarked reserves at 31/3/2020 stood at £9.8m and general fund balance at £2.4m. Appropriate reporting arrangements exist at the Council. The Council's financial position is reported to the Policy and Finance Committee on a quarterly basis, alongside summary financial reports from other Committees. The COVID pandemic meant that a number of meetings were deferred and in May 2020, an emergency Council meeting was held which approved a temporary addendum to the Council's Standing Orders to allow for meetings to be held virtually. Virtual Committee meetings are now occurring and the latest financial position is reported, alongside other financial information. The Council has already assessed the impact of Covid 19 to date and this was reported in the Council's Covid 19 Financial update report that went to the Policy and Finance Committee in November 2020. The Council has received Covid funding totalling £803k, to meet the £671k associated costs so far of COVID 19. The Council have also reported the income lost due to Covid in the first four months of 2020/21 to Central Government, various deductions need to be made on this and the amount which can be claimed back is £193k. Collection Fund losses are estimated to be £1.980m. The Council currently expects all Covid related costs to be funded by Central Government support. Through regular monitoring of the costs associated with Covid and the loss of income the Council has a good understanding of the financial implications arising from the pandemic, and are well placed to assess the likely affect on the 2021/22 budget. The budget setting process has already started which will factor in these uncertainties. In the year, the Council received a visit to follow up on the Corporate Peer challenge review which took place in 2017. An action plan was in place to address the recommendations of this review and the peer group were happy with the progress being made. All recommendations were concluded as either complete or in progress. The follow up review concluded that the Council delivers good core services through a committed workforce achieving high levels of customer satisfaction and value for money.	We conclude that there are appropriate arrangements in place for the in year reporting and monitoring of the financial position.

Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix B

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 Council. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	16,000	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 as the fee for this work is £16,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review because GT provides audit services	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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 during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Movement in Reserves Note 21 Unusable Reserves – Revaluation reserve	Amendment required to ensure that the revaluation reserve figures for revaluation reconciled through to the CIES for the deficit of revaluation of PPE Assets.	Amend the accounts to ensure the Movements in Reserves Disclosure reconciles to the revaluation reserve.	✓
Note 13 Estimation Uncertainty	The note needs to be amended to ensure the material uncertainty around the PPE Valuation is disclosed.	Amend the accounts to include this disclosure	✓
Note 14 Heritage Assets	Revaluation increases were included in the disposals row and not revaluations.	Amend the accounts to include this in the correct row.	✓
Note 15 Financial Instruments	The disclosure in the table is not IFRS 9 compliant and refers to superseded terminology.	Amend to ensure IFRS 9 compliance	✓
Note 27 External Audit Costs	The note is to be adjusted to include the 2019/20 additional fee.	Amend the accounts to include this disclosure	✓
Note 34 Defined Benefit Pension Schemes	This note is to include further narrative in relation to the McCloud adjustment.	Amend the accounts to include this disclosure	✓
A number of other minor disclosure and typographical errors were identified which have been amended			

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 – Fees per Audit Plan	37,106	TBC
- Proposed fee Variation	5,566	
Total audit fees (excluding VAT)	**£42,672**	**TBC**

The fees in the financial statement include £4,500 in relation to the 2018/19 Audit as well as an audit rebate of £(3,117).

The proposed indicative fee of £37,106 has been approved by PSAA. We set out in out audit plan how the Financial Reporting Council's has set its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and robust testing. This coupled with the recent impact of Covid 19 and the time taken in managing the audit in a more remote working environment, has clearly impacted out work and we will need to review the actual audit inputs required at the conclusion of our work to assess any fee implications arising from this.

Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.
- Management's assumptions and estimates - there is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. There are similar challenges for management and ourselves on areas such as credit loss allowances and other provisions. We are discussing with management the need to include an Emphasis of Matter in the Audit Report in respect of the material uncertainty on property values.
- Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260.
- Remote working across our local government audits, the most significant impact in terms of delivery has been the move to remote working. As a firm, having reflected on government guidelines our audit staff were advised to work from home wherever possible. Naturally, working in a more remote environment means that discussions with officers and progress of our work has taken longer than normal. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.

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

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Fees

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services HBAP Claim	16,000	TBC
Total non- audit fees (excluding VAT)	**£16,000**	**TBC**