



The Annual Audit Letter for Epsom and Ewell Borough Council.

Year ended 31 March 2020

March 2021



Contents



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Section

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

Page

3
5
11

Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Epsom and Ewell Borough Council (the Council) and its subsidiary (the group) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Strategy and Resources Committee as those charged with governance in our Audit Findings Report on 22 September 2020.

Our work

Respective responsibilities

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

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

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

Materiality	We determined materiality for the audit of the group's financial statements to be £950,000, which is 2% of the group's gross expenditure.
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Financial Statements opinion	We gave an unqualified opinion on the group's financial statements on 18 November 2020.
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We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings and investment properties and the property assets of its pension fund given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.

Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
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Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
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Executive Summary

Value for Money arrangements We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 18 November 2020.

Certificate We certified that we have completed the audit of the financial statements of Epsom and Ewell Borough Council in accordance with the requirements of the Code of Audit Practice on 18 November 2020.

Working with the Council

Detail a summary of the impacts of the COVID-19 pandemic on the Council, operationally and in preparing the financial statements, and how we have worked with them to complete the audit i.e., remote working arrangements, cover for sickness absence, access to key data from Council staff, virtual meetings with management and TCWG.

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. The impact has been widespread causing volatility of financial and property markets which impacted on your asset valuation. We also expected the current circumstances to have an impact on the production and audit of the financial statements. Additionally, changes in the regulatory framework as set out in our Audit Plan require us as your auditors to introduce additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the Council. The implementation of IFRS 16 has been deferred until 01 April 2021 and as such the related disclosures do not need to be made in the 2019/2020 financial statements.

In line with government directive, both the production and audit of the financial statements were done remotely. Furthermore, obtaining and review of audit evidence remotely proved more challenging and took longer than it would normally take to review. Our audit testing of information provided by the Council was completed remotely however this would be a more efficient process via on site visits. The combination of remote working and the challenges of gaining an understanding of complex spreadsheets via video links have impacted on the length of time to complete the audit.

In terms of the financial statements:

- you provided us with a complete set of financial statements together with supporting documents and good working papers before the agreed date.
- you prepared high quality draft financial statements and the volume and quality of the supporting working papers was good
- your finance team was responsive, helpful and fully engaged with the audit process, and provided responses in line with agreed turnaround times which enabled us to carry out the audit efficiently in June and July.

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

Grant Thornton UK LLP
January 2021

Audit of the Financial Statements

Our audit approach

Materiality

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

We determined materiality for the audit of the group financial statements to be £950,000, which is 2% of the group's gross expenditure. We determined materiality for the audit of the Council's financial statements to be £855,000, which is 90% of the group materiality. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We also set a lower level of specific materiality of £100,000 senior officer remuneration.

We set a lower threshold of £47,000 above which we reported errors to the Strategy and Resources Committee in our Audit Findings Report.

The scope of our audit

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

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

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

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

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

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

Audit of the Financial Statements

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>COVID-19</p> <p>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;</p> <ul style="list-style-type: none"> - 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. <p>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.</p>	<p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> • 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 08 June 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert • 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. 	<p>Your independent valuer declared a 'material valuation uncertainty' in the valuation report for Other land and buildings and Investment properties on the basis of uncertainties in markets caused by COVID-19.</p> <p>Surrey Pension Fund disclosed a material valuation uncertainty with respect to pooled property investments and private equity investments. The Council's share of these assets is material (£4.5 million for pooled property investments £5 million for private equity investments</p> <p>In response, we included an emphasis of matter paragraph in our audit report in respect of the uncertainty over valuations of the Council's land and buildings, investment properties and the property assets of its pension fund given the Coronavirus pandemic</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The Revenue Cycle includes fraudulent transactions.</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue maybe misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition. • opportunities to manipulate revenue recognition are very limited. • the culture and ethical frameworks of local authorities, mean that all forms of fraud are seen as unacceptable. 	<p>There have been no changes to our assessment reported in the audit plan. Therefore, we do not consider this to be a significant risk to Epsom and Ewell Council and the Group.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work, we have;</p> <ul style="list-style-type: none"> • documented and evaluated the design effectiveness of management controls over journals. • analysed the journals listing and determined the criteria for selecting high risk unusual journals. • gained an understanding of the accounting estimates and critical judgements made by management and consider. • their reasonableness with regard to corroborative evidence. • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our testing did not identify any material issue in respect to this significant risk.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of Land and Building</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£82 million of PPE in 2019-20) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management need to ensure the carrying value in your financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme of valuation is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>As part of our audit work, 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. challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding of the valuer's report and the assumptions that underpin the valuation tested a sample of revaluations made during the year to ensure that they have been input correctly into your asset register. evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. 	<p>The valuer omitted a floor area of 92 sq. m in their calculation of the value of the Town Hall. This resulted in the value of the town hall being understated by £160k in the valuation report and the accounts as at 31 March 2020.</p> <p>As reported on page 6, your independent valuer declared a 'material valuation uncertainty' in the valuation report for Other land and buildings on the basis of uncertainties in markets caused by COVID-19. We have included an emphasis of matter paragraph in our audit report in respect of the uncertainty over valuations of the Council's land and buildings and investment properties</p> <p>Our work has not identified any other issue in respect of this significant risk apart from those reported above.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>Your net pension fund liability, as reflected in the balance sheet, represents a significant estimate in the financial statements. The net pension fund liability is considered a significant estimate due to the size of the numbers involved (£37 million in your balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of your pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>As part of our audit work, we have;</p> <ul style="list-style-type: none"> • Updated our understanding of the processes and controls put in place by management to ensure that the 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 pension fund valuation; • assessed the accuracy and completeness of the information provided 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; • obtained assurances from the auditor of Surrey County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 	<p>As reported on page 6, Surrey Pension Fund disclosed a material valuation uncertainty with respect to pooled property investments and private equity investments. Of this the Council's share of these assets is</p> <ul style="list-style-type: none"> • £4.5 million for pooled property investments • £5 million for private equity investments <p>As these values are material to the Council's financial statements, additional disclosure has been added to Note 4 of the financial statements to reflect the material valuation uncertainty for with respect to pooled property investments and private equity investments for pension. In response we have included an emphasis of matter in the audit opinion in relation to this matter.</p> <p>Our work has not identified any other issue in respect of this significant risk apart from the above.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 18 November 2020.

Preparation of the financial statements

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

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the group's Strategic and Resources Committee on 22 September 2020.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the draft Statement of Accounts in May 2020.

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

Whole of Government Accounts (WGA)

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

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Epsom and Ewell Borough Council in accordance with the requirements of the Code of Audit Practice on 18 November 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

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

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Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Sustainable Resource Deployment – Financial Sustainability in the Medium Term</p> <p>The overall Local Government sector has been facing a challenging financial outlook in recent years, which is to continue for 2019/20 and for the medium term. Further pressure is expected across the sector as a result of continued increasing demand for services and falling central government funding on the factors which are also affecting Epsom & Ewell Borough Council.</p> <p>In addition to this, there is uncertainty surrounding the impact of COVID-19 Pandemic on your finances.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> • Evaluated your 2020/21 budget setting process and determining the reasonableness of your plans to resolve budget gaps. • Assessed the 2019/20 outturn position against the 2019/20 budget to determine the potential effect on medium term financial sustainability. 	<ul style="list-style-type: none"> • You have demonstrated that you have a robust budget setting process. This process incorporates an appropriate level of challenge and scrutiny from member committees to ensure budgets are achievable operationally, a good level of support from finance to ensure budgets are achievable from a resourcing perspective and that there is ongoing budget monitoring throughout the year to ensure budgets remain relevant and any risks identified quickly. • In terms of outturn position, you have demonstrated control over spending in 2019/20 and recorded an underspend of £11k on your revenue account, which was within 1% of the agreed budget. The £11k underspend has been added to the General Fund balance at year-end. You have performed well to achieve an outturn close to the overall budget, particularly in the current challenging financial environment with continued funding cuts from central government and the impact of COVID-19 in the last few weeks in March 2020. • During 2019/20, you have dealt with financial challenges including zero revenue support grant and just £25k emergency COVID-19 grant funding from central government. • The financial challenges also included star chamber service delivery savings and additional income required of £406k; and an increase of over £200k in budgeted income from fees and charges. • You have maintained a strong reserve position by increasing the level of usable reserves by £1.6 million in the year to £30.6 million including community infrastructure levy and capital receipts reserve. You have demonstrated robust financial planning by earmarking 49% of these reserves for specific strategic purposes which will allow you to meet your strategic objectives over the medium term. This demonstrates planned spending for specific purposes which will ensure you are able to deliver the services and developments committed to for the benefit of residents of the Borough • You have set yourself a minimum general fund balance of £2.5 million which you wish to hold to ensure a minimum level of funds is available for non-specific expenditure should it be required. You have demonstrated that you have exceeded this minimum threshold for 2019/20 by holding a general fund reserve of £3.4 million and your plans maintain the minimum level in the medium term.

Value for Money conclusion

Value for Money Risks- Continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Sustainable Resource Deployment – Financial Sustainability in the Medium Term</p>	<p>As part of our work, we have:</p> <ul style="list-style-type: none"> • Evaluated your Medium-Term financial Strategy (MTFS) and its assumptions for reasonableness and relevance considering COVID-19. • Understood your reserves policy and evaluated the actual use of reserves against planned usage. 	<p>Prior to COVID-19:</p> <ul style="list-style-type: none"> • you successfully planned for the medium and long term by producing a Medium-Term Financial Plan (MTFP) for 2020/2021 based on realistic assumptions which allows you to identify and plan for savings. • You produced a balanced budget for 2020/21 which was realistic in its assumptions and includes appropriate risks and opportunities. • You were able to fully identify and plan for savings required in 2020/21 leaving no budget gaps to identify moving into next year. <p>COVID-19:</p> <ul style="list-style-type: none"> • You have carried out a detailed assessment of the impact of COVID-19 on your 2020/21 budget. In quarter 1 of 2020/21, you have identified a loss of £2.5 million as the estimated cost of dealing with COVID-19. You have identified services which have been worst hit as income from fees and charges specifically car park income, income from council tax and income from commercial property. • To date the Government has agreed one-off funding specifically for you totalling £918k. The Government has also provided £11m funding for local businesses through the small business grant schemes, £4k funding for rough sleepers and £344k hardship funding for council taxpayers • Your Income from services has been severely hit during the outbreak. In quarter 1, you have had £2.5m losses from income as a result of COVID-19. Out of the £2.5m losses from COVID-19, income from fees and charges makes up the majority of the loss (£1.7m). <ul style="list-style-type: none"> • You budgeted for an income from fees and charges of around £900,000 per month however this income has reduced to £300k per month. The services which are most affected are car parks, refuse, venues and the Rainbow leisure centre. • You budgeted to receive £1.5m income from commercial property in the first quarter of 2020/21 however you have only received £500k in the first quarter of the year, with deferrals agreed for unpaid sums. • Your Council Tax receipts at the end of April 2020 were 5.5% down compared to April 2019. If the level of recovery remains at this level throughout 2020/21, this would materialise into a loss on the collection fund of £3.6m, with EEBC's share of the loss being £375k. You budgeted for an income from business rates of £1.617m for the year, however as a result of COVID-19, you could see a reduced income from your share of business rates by up to £600k for 2020/21.

Value for Money conclusion

Value for Money Risks - Continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Sustainable Resource Deployment – Financial Sustainability in the Medium Term</p>	<p>As part of our work, we have:</p> <ul style="list-style-type: none"> • Evaluated your Medium-Term financial Strategy (MTFS) and its assumptions for reasonableness and relevance considering COVID-19. • Understood your reserves policy and evaluated the actual use of reserves against planned usage 	<ul style="list-style-type: none"> • You have considered the impact of COVID-19 on your reserves for 2020/21 and have identified that you could be facing losses between £4.7 million to £8 million which would require funding by the end of 2020/21. You have identified funding from alternative strategic reserves and sources to fund the projected Quarter 1 deficit of £2.5 million. Your useable reserves at nearly £18 million could sustain these losses for 2020/21 by releasing earmarked reserves, but you will not be able to rely on using reserves as a medium to long-term solution to fund the deficit in your finances caused by COVID-19. Where you need to release earmarked reserves to respond to financial pressures from COVID-19, you will need to give future consideration of when and how to rebuild reserves set aside for a specific reason. • We have reviewed the Institute of Fiscal Studies report on the Coronavirus risk and financial resilience of local Government authorities which shows. Your reserves as a proportion of revenue expenditure as at March 2020 when compared to other authorities is within the low-risk category. Your revenue risk for fees and charges is in the high-risk category. This is consistent with your own assessment where you have identified income from fees and charges as one of the worst hit income source. You have taken steps to identify alternative sources of funding to address this issue as described above. <p>Conclusion</p> <p>Based on the work we performed to address the significant risk, we are satisfied that you have proper arrangements for securing economy, efficiency and effectiveness in your use of resources.</p>

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	02 July 2020
Audit Findings Report	22 September 2020
Audit Findings Report Addendum	18 November 2020
Annual Audit Letter	06 January 2021

Fees

	Planned £	Actual fees £	Additional fees for Covid-9 (see page 16)
Statutory audit	44,175	51,175	7,000
Housing Benefit Grant Certification	16,000	TBC	
Total fees	60,175	TBC	7,000

A. Reports issued and fees

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

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £34,425 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage.	1,750
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	1,750
Raising the bar	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.	2,500
New standards / developments	IFRS 16 I implementation	1,500
Group accounts	You were required to start producing group accounts in 17/18 as a result of your wholly owned subsidiary, EEPIC, becoming active. These were introduced following the setting of the scale fee and require additional work to gain assurance over the valuation of the investment properties held by EEPIC and the consolidation process.	2,250
Total		9,750

Audit fee variation – Covid-19

Additionally, over the last six months the current Covid-19 pandemic has had a significant impact on all our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements has been multifaceted. This included:

- Revisiting planning- we have needed to revisit our planning and refresh our risk assessments, materiality and planning as well as additional work in areas such as going concern and disclosures in accordance with IAS 1 in particular in respect to material uncertainties.
- Managements assumptions and estimates - there is increased uncertainty over many estimates including investment and property valuations. Our audit opinion will include an emphasis of matter in respect of this.
- Remote working – the most significant impact of terms of delivery is the move to remote working. We, as have other auditors, have experienced delays and inefficiencies resulting from this new working environment. This is understandable and arise from the availability of relevant information, the need for us to devise alternative methods to evidence the veracity of the information provided and not being able to sit with an officer to discuss a query or a working paper. Obtaining an understanding via teams or telephone is often more time consuming.

We have been discussing the matter with PSAA over the last few months and these issues are similar to those experienced in the commercial sector and the NHS. In both sectors there is a recognition that audits will take longer with commercial deadlines expended by four months and the NHS deadline by one 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/about-the-frc/covid-19/covid-19-bulletin-march-2020> sets out the expectations of the FRC.

Fee variations are subject to PSAA approval.



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