



The Audit Findings For North Somerset Council

Year ended 31 March 2020

19 November 2020



Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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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Headlines

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

<p>Covid-19</p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council, including the delivery of front-line activities to the vulnerable, administration of grants to businesses and the closure of community facilities. These operation challenges have been coupled with uncertainty over future funding for the Council due to a loss of core income streams as well as additional costs introduced in delivering services in line with emerging government guidance.</p> <p>The Finance team have also faced significant challenges in continuing their day to day operations, including remote access to systems and providing support to other service areas to prioritise support for the vulnerable and local businesses.</p> <p>The Council 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.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 20 April 2020. In that addendum we reported 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 6.</p> <p>Restrictions for non-essential travel has meant both council and audit staff have had to develop new remote access working arrangements, including remote accessing financial systems, video calling and alternative procedures over the verification of completeness and accuracy of information produced by the entity. These have proved to allow the audit to progress but, somewhat inevitably, have extended the amount of time required for the audit.</p>
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Headlines

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

<p>Financial Statements</p>	<p>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:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council 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. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) 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>Our audit work was completed remotely during July-November 2020. Our findings are summarised on pages 5 to 15. We have identified two adjustments to the financial statements that have resulted in no adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments 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.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> • Pooled Budgets Disclosure agreement of transactions to CIES – waiting on information from management; • Creditors sample testing – waiting on information from management; • Managements assessment of going concern including supporting cash flow forecast – waiting on information from management; • ITGC work is on-going; • Receipt of pension fund auditor assurances and finalisation of work; • Finalisation of our documentation around Property, Plant and Equipment; • Completion of internal review of audit work; • Receipt of management representation letter; and • Review of the final set of financial statements. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our anticipated audit report opinion will be unqualified but includes an Emphasis of Matter paragraph, highlighting a material valuation uncertainty on the valuation of Property, Plant and Equipment; Investment Properties and the Councils share of property assets held within the Avon Pension Fund as at 31 March 2020.</p>
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Headlines

This table summarises the key findings and other matters arising from the statutory audit of North Somerset 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 North Somerset 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 E. Our findings are summarised on pages 19 to 21.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"> 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 when we give our audit opinion.

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 and will be discussed at 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 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; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Our audit plan addendum, as communicated to you on 20th April 2020, reflected our response to the Covid-19 pandemic. This included introducing digital and virtual audit arrangements to ensure that we could complete our audit work remotely and gain assurance over the veracity of information provided by electronic means. We achieved this using a variety of Microsoft Teams tools and sharing information through our secure digital data-sharing portal, Inflo.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 19 November 2020, as detailed in Appendix E

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.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£7.25m	Materiality has been based on 2% of the Council's gross expenditure
Performance materiality	£5.45m	Our performance materiality has been set at 75% of our overall materiality.
Trivial matters	£0.35m	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties.
Senior Officer remuneration	£20k	The Senior Officer Remuneration disclosure in the statement of accounts has been identified as an area requiring lower materiality due to its sensitive nature.

Significant audit risks

Risks identified in our Audit Plan

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.

The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

Auditor commentary

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 10 July 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; and
- engaged the use of auditor experts where auditor has deemed it necessary for asset valuations.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

We rebutted the risk at the planning stage of our audit. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we determined that the risk of fraud arising from revenue recognition could 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 North Somerset Council, mean that all forms of fraud are seen as unacceptable

No circumstances arose that indicated we needed to reconsider this judgement.

Significant audit risks

Risks identified in our Audit Plan

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.

Valuation of land and buildings (Rolling revaluation)

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£327m at planning stage and £354m in financial statements) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Auditor commentary

We:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk and 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; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Findings

We have raised a control recommendation in Appendix A in respect of journals.

Our testing of journal entries made in year did not identify any issues.

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;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Findings

Our testing of valuation of land and buildings made in year found an error. We found that the valuation for leisure centres had been based on incorrect information. See Appendix C for details of the error. We will be including an Emphasis of Matter paragraph into our audit opinion to draw the readers attention to the disclosures made around the estimation uncertainty in the valuation.

Significant audit risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£259m in the prior year and £268m at 31/3/2020) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Auditor commentary

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and 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 Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- 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;
- obtained assurances from the auditor of the 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.



No issues have been identified from our audit work on the valuation of pension fund net liability to date. Our work is not yet complete in this area. We will be including an Emphasis of Matter paragraph into our audit opinion to draw the readers attention to the disclosures made around the estimation uncertainty in the valuation.

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	Auditor view
<p>IFRS 16 implementation has been delayed by one year</p> <p>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.</p>	<p>We have reviewed the accounting policies for the Council to gain assurance that unadopted accounting standards have been appropriately disclosed within the statement of accounts</p>	<p>We noted in the draft statement of accounts that the disclosure has been appropriately dated as per the amended timeline. We continue to review the disclosures in line with the guidance and will report any findings to management.</p>
<p>Dedicated Schools Grant</p> <p>The Council The Council had a cumulative overspend of £3.847m as 31 March 2020 due to insufficient government funding. We have reviewed the statement from CIPFA which confirms the guidance in LAAP bulletin 99 Local Authority Reserves and Balances remains extant i.e. it “neither anticipates nor allows for a voluntary earmarked balance to be presented in a deficit position.”</p>	<p>The Council has presented a negative earmarked reserve in respect of the DSG overspend. This is not in line with the current guidance and we have requested that this be moved into general fund reserves. The Council disagree with this view and believes that its accounting treatment is in line with CIPFA guidance. The Council are not proposing to amend the disclosure.</p>	<p>The Council should disclose the overspend balance on DSG within the General Fund reserves and not as a negative earmarked reserve.</p>

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals - £5.6m	<p>The Council are responsible for repaying a proportion of successful rateable value appeals.</p> <p>A provision has been made for these appeals, which amounted to £5.6m for the Council for 2019/20 (£4.4m in 2018/19)</p> <p>The Council's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Officer Agency (VOA) and previous success rates.</p>	<p>From our review of the Provision for NNDR appeals, no issues were identified in regard to the valuation basis.</p> <p>Overall we consider management's process and key assumptions to be reasonable</p>	 Green
Provisions for bad debts – £12m	<p>The Council makes a provision every year for the impairment of doubtful debts for Council tax, Business Rates, Housing Benefit and Sundry Debt.</p> <p>The Council adopts a calculation methodology based upon past experience and the age of debts to make allowances for non-collectable amount of the reported debts.</p> <p>Management have reviewed the amounts collected in year against the provision at 31 March 2020.</p>	<p>We have reviewed the Council's methodology and recalculated the provision.</p> <p>We consider that the Council's methodology is appropriate.</p> <p>The methodology applied is consistent and we consider that the estimated provision for bad debts are reasonable.</p>	 Green

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
Valuation of Sovereign Centre - £4.1m	<p>The Council acquired it's the Sovereign centre in Weston-Super-Mare in 2018/19 as it's second asset as part of the commercial investment programme. The transactions was financed by way of a long-term lease with Legal & General.</p> <p>The Council revalue investment property annually.</p> <p>The Council has engaged CBRE, as an external valuer, to complete the 2019/20 valuation of the property.</p> <p>The year end valuation of the Sovereign Centre was £4.1m, a net decrease of £17m from 2018/19 (£21m)</p>	<p>Given the significant decrease in the Sovereign centre and the complexities of the asset we applied additional challenge to the Council and engaged an independent valuation auditors expert (Wilks Head & Eve LLP) to review the valuation approach adopted by the Council and to assess it's reasonableness.</p> <p>We reviewed the detail of your assessment of the estimate, considering:</p> <ul style="list-style-type: none"> the assessment of management's expert, CBRE; the completeness and accuracy of the underlying information used to determine the estimate; the reasonableness of the overall decrease in the estimate; the adequacy of the disclosure of the estimate in the financial statements; and we have used an auditors expert to review the work undertaken by both the internal and external valuer. <p>Our review of the valuation of the Sovereign Centre is ongoing.</p>	In progress

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 - £160m	<p>Other land and buildings comprises of specialised assets such as schools and libraries, which are required to be valued at depreciated cost (DRC) at year end, reflecting the modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUUV) at year end.</p> <p>The Council revalues it's land and buildings on a rolling programme with a maximum period of five years between revaluations. The Council has engaged it's internal valuer to complete the valuation of properties as at 1 January 2020. 44% of land and building assets were revalued during 2019/20.</p> <p>Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 1 January 2020 by applying indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.</p> <p>In line with RICS guidance, the Council 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 on this issue in Note 2.</p>	<p>We have reviewed the detail of your assessment of the estimate, considering:</p> <ul style="list-style-type: none"> the assessment of the Council's in-house valuers; the completeness and accuracy of the underlying information used to determine the estimate; the reasonableness of the overall increase in the estimate; the adequacy of the disclosure of the estimate in the financial statements; the sensitivities used by the valuer to assess completeness and consistency with our understanding; and consistency of the estimate against Gerald Eve reported indices. <p>Our review of the valuation of land and buildings is ongoing.</p>	In progress

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 – £268m	<p>The Council's net pension liability at 31 March 2020 is £268m (PY £259m) comprising the Local Government and unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from these scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in the intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been an increase of £8.9m in the net actuarial loss during 2019/20.</p>	<p>We reviewed the detail of your assessment of the estimate, considering the:</p> <ul style="list-style-type: none"> assessment of management's expert, Mercers; completeness and accuracy of the underlying information used to determine the estimate; reasonableness of the Council's share of LGPS assets; reasonableness of the overall increase in the estimate; and adequacy of the disclosure of the estimate in the financial statements. <p>External auditors are provided with assurance in the form of an auditor's expert report from PwC to assess the assumptions made by the Actuary, the table below sets out the key assumptions:</p> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.30%-2.40%</td> <td>●</td> </tr> <tr> <td>CPI</td> <td>2.1%</td> <td>2.10%</td> <td>●</td> </tr> <tr> <td>Pension increases</td> <td>2.2%</td> <td>2.1% - 2.2%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.6%</td> <td>Dependent on employer</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24.7 / 23.2</td> <td>22.5 – 24.7 / 20.9 – 23.2</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>27.3 / 25.3</td> <td>25.9 – 27.7 / 24.0 – 25.8</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.30%-2.40%	●	CPI	2.1%	2.10%	●	Pension increases	2.2%	2.1% - 2.2%	●	Salary growth	3.6%	Dependent on employer	●	Life expectancy – Males currently aged 45 / 65	24.7 / 23.2	22.5 – 24.7 / 20.9 – 23.2	●	Life expectancy – Females currently aged 45 / 65	27.3 / 25.3	25.9 – 27.7 / 24.0 – 25.8	●	In progress
Assumption	Actuary Value	PwC range	Assessment																												
Discount rate	2.4%	2.30%-2.40%	●																												
CPI	2.1%	2.10%	●																												
Pension increases	2.2%	2.1% - 2.2%	●																												
Salary growth	3.6%	Dependent on employer	●																												
Life expectancy – Males currently aged 45 / 65	24.7 / 23.2	22.5 – 24.7 / 20.9 – 23.2	●																												
Life expectancy – Females currently aged 45 / 65	27.3 / 25.3	25.9 – 27.7 / 24.0 – 25.8	●																												

Our review of the net pension liability is ongoing.

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

PPE Valuation material valuation uncertainty relating to Investment Property and Pension Scheme Assets

The Covid-19 pandemic commenced within the last two weeks of the 2019-20 financial year and created a large uncertainty in financial markets and the market for other assets.

This led to the Royal Institute of Chartered Surveyors (RICS) issuing guidance identifying that all valuations will have a material valuation uncertainty as at 31 March 2020. The Council's draft statement of accounts did not include a material valuation uncertainty disclosure and it was our view, as external auditors, that such a disclosure should be included.

Commentary

The Council formally revalues its land and buildings on a rolling five-year basis to ensure that the carrying value is not materially different from fair value.

The Covid-19 pandemic outbreak commenced within the last two weeks of the 2019-20 financial year and created a large uncertainty in a number of markets. This led to RICS issuing guidance to its members that a material valuation uncertainty should be included within the valuer's report and subsequently in the statement of accounts. The Valuer's report and draft account reflected this material valuation uncertainty as expected.

Auditor view

It is the view of the auditor that a material valuation uncertainty for the PPE valuation should be included in the accounts to reflect the uncertainty that existed at the balance sheet date. This has been included within the Financial Statements as appropriate.

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).

Our work in this area is on-going.

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 Audit Committee. We have not been made aware of any 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 Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests for Bank and Investment balances.
Disclosures	Our review found no material omissions in the financial statements
Audit evidence and explanations/significant difficulties	At the date of drafting the report, information and explanations are still outstanding from management.

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>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • 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 <p>We have nothing to report on these matters.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of North Somerset Council in the audit report, as detailed in Appendix E.</p>

Value for Money

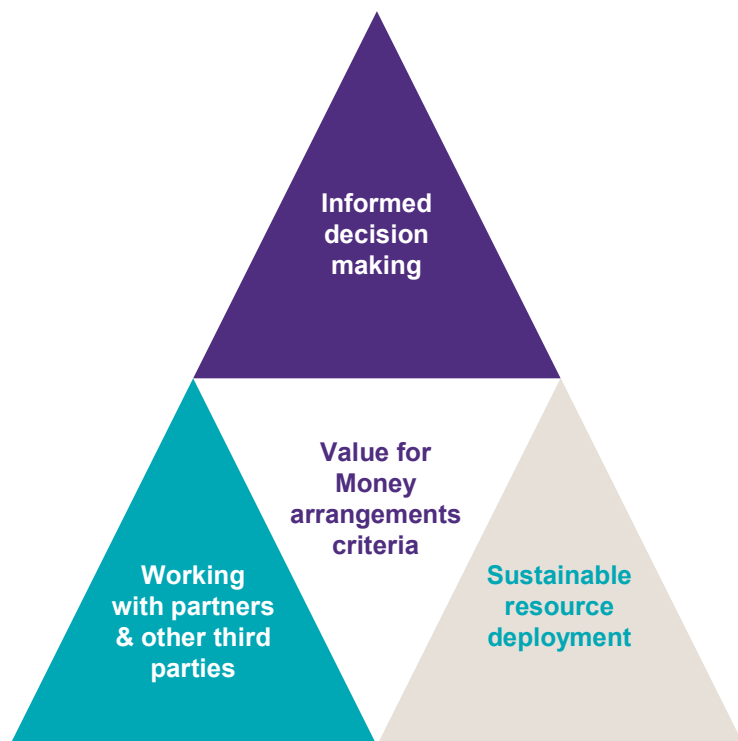
Background to our VFM approach

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 January 2020 and identified a significant risk 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 January 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 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 risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council's performance against budget for 2019/20
- Understanding the future savings plans and the achievement of savings in 2019/20
- The robustness of the MTFP
- The Council's arrangements for monitoring the performance of the commercial investment programme, including the level of reporting to members.

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 pages 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 E.

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
<p>Future Financial Sustainability</p> <p>Like many other similar local authorities, the financial outlook remains challenging. At month 7 the Council was forecasting a net overspend of £1m (0.64% of the budgeted position), although latest indications for Months 8 and 9 indicate that this position is improving. The main pressure is within the Children & Young People directorate. The 2019/20 revenue budget incorporates savings of £10.9m.</p> <p>The Council acquired its second asset as part of the commercial investment programme in 2018/19, financed by a long term lease with Legal and General. Its portfolio includes the North Worle District Centre and the Sovereign Centre in Weston-Super-Mare.</p>	<ul style="list-style-type: none"> The Council's original net revenue budget for 2019/20 was £153.976m (before parish precepts) which included an increase of council tax of 2.75%. This was predicated on a savings target of £10.829m. This was approved at the February 2020 Council meeting. The final outturn position reported a nil overspend/underspend against the revised budget. The Council's main pressure point continues to be within the People & Communities – Children's & Young People Directorate with a reported overspend of £1.999m (£1.845 in 2018/19). This is the main pressure point for the Council and has been for a number of years due to the increases in demand for Children's Services. The variances within this directorate were reported as key risks within the council's budget planning process and have been closely monitored throughout the year. The pressures of the rising numbers and costs in children's social care are not one off in nature and are likely to continue into future years, reflecting national trends. Adult social care directorate reported a small overspend during the year of £50k (underspend of £122k in 2018/19). Given this is another demand led service this budget position is a small overspend and indicates effective in year monitoring and demand management for this service. The back-dating of the revised minimum revenue provision policy in 2017/18 gave the Council a £2.575m benefit in the 2019/20 financial year. Out of the savings plans identified in the initial budget, 90% were achieved. Where initial planned savings were not met within 2019/20, alternative savings and underspends mean this has not impacted the achievement of the overall budget position. The Council has a good track record of delivering against its budget despite the continued reduction in central government funding and the need to identify and realise significant savings each year. There is regular review and challenge at a member and officer level and there is evidence of robust financial management arrangements being in place. The Council approved its MTFP in February 2020 which covers the period up to 2023/24 and shows a budget gap of £19.017m in the latter years. The Council is currently reviewing its MTFP to consider the impact of Covid-19 on the finances. The Council is currently forecasting a £3.916m shortfall in funding in the financial year to 31 March 2021 and is working to close this gap. Montague Evans are the property management agents that act on behalf of the Council and the Council have had regular meetings throughout the financial year. The Council reports it budget monitoring to each meeting of the Executive Committee, which includes monitoring of investment properties. As no further commercial investments are currently under consideration, and the Commercial Strategy has been agreed and is in place, no further meetings of the Property Investment Board have taken place. <p>Whilst the Council continues to operate under significant financial pressures, in particular due to the impact of Covid-19, it has effective arrangements in place to routinely monitor its budget and has a good track record of delivering the required savings. We therefore conclude that overall the Council has appropriate arrangements in place to manage its financial sustainability. However, the impact of Covid-19 is not yet fully known. Consequently, the Council will need to maintain and strengthen its financial monitoring arrangements to ensure that funding and spending pressures are identified and acted upon swiftly.</p>

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 D

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 Teachers Pension Return	£5,000*	Self-Interest, self-review	<p>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 £5,000 in comparison to the total fee for the audit of £86,221 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.</p> <p>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.</p>
Certification of Housing Benefit Claim	£15,776*	Self-Interest, self review	<p>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 £15,776 in comparison to the total fee for the audit of £86,221 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.</p> <p>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.</p>

Action plan

We have identified two recommendations 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 2020/21 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
 Medium	<p>Journals</p> <p>Journals posted by finance users to not require authorisation prior to being posted to the system.</p> <p>In addition, journals can be posted without a narrative being entered.</p>	<p>We recommend that risk-based journal authorisation controls are implemented in the form of a preventative (system based) control which requires authorisation before posting to the general ledger, or a detective/corrective control such as a retrospective review of journal entries by an individual other than the poster.</p> <p>We would also recommend that a narrative is entered for each journal so that an audit trail is maintained.</p> <p>Management response</p> <p>This recommendation has been discussed in prior years. Implementation is likely to be resource intensive. We are not clear that that the benefits of any additional assurance and reduced risk gained through review of journals would outweigh the significant cost impact on resources. We are happy to investigate the impact and mechanics of implementation of additional automated and manual approval of journals, for potential implementation to the ledger system in future years.</p> <p>We agree to making amendments to the General ledger settings to require the narrative field to be completed for journal entries. However, it is not currently possible to require the narrative to be completed when loading journals through some batch ledger uploads.</p>
 Medium	<p>Retention of supporting documentation</p> <p>Our sample testing has noted weaknesses in the documentation maintained to support transactions. For four items selected for testing, the Council could not provide all the evidence we requested. Three of these relate to fees and charges and one relates to expenditure.</p>	<p>We would therefore recommend that management ensures that an appropriate audit trail of evidence is kept to support the underlying transaction.</p> <p>Management response</p> <p>Agreed</p>

Key

-  High
-  Medium
-  Low

Follow up of prior year recommendations

We did not identify any issues in the audit of North Somerset Council's 2018/19 financial statements and therefore no recommendations were reported in our 2018/19 Audit Findings Report.

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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
There were no adjusted misstatements.			

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?
General disclosures throughout the accounts and narrative report	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader.	We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	✓
Senior Officer Remuneration	Through our audit work it was identified that the number of redundancies in the 'Up to £20,000' bracket was overstated by 1 member, and the '£20,001 to £40,000' band was understated by 1 member. Additionally, the value of 'Up to £20,000' bracket was overstated by £33,000, and '£20,001 to £40,000' bracket understated by £33,000.	Update the disclosure	✓
Pensions note	It was identified that two lines weren't showing in the draft accounts in 'Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation) table as the working paper used to produce the final accounts had hidden rows.	Update the disclosure	✓
Annual Governance Statement	The draft Annual Governance Statement makes reference to the Community Sustainability Strategy. Management have agreed that this reference needs updating as this has been superseded by the Corporate Plan. The Procurement Strategy date also needed updating.	Update the disclosure	✓

Appendix C

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>PPE Closing Balance Our testing performed on the valuer's work identified that old floor plan areas had been used in their calculations for 5 leisure centre assets. Overall impact is an understatement of the PPE closing balance totalling £4.239m.</p>	Cr (Surplus)/deficit on revaluation of non-current assets £1,389k	Dr Property, Plant and Equipment – Other Land and Buildings £4,239k Cr Revaluation Reserve £2,850		TBC
<p>Operating expenditure Errors were identified on the sample testing performed on operating expenditure. Credit and debit errors identified have been extrapolated and net to have an overall impact of an overstatement of £1.911m.</p>	Cr Operating Expenditure £1,911k Dr Cash £1,911k		n/a	TBC
Overall impact	£1,389	£1,389		

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 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
There were no prior year unadjusted misstatements.				

Appendix D

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee	Final fee
Council Audit	86,221	TBC
Additional audit fee	20,350	TBC
Total audit fees (excluding VAT)	£106,571	TBC

The fees reconcile to the financial statements.

- fees per financial statements for audit work £119k
- less additional fees in respect of 2018/19 audit (£12k)
- total fees per above £107k

We confirm that no non-audit or audited related services have been undertaken for the Council.

Audit opinion

We anticipate we will provide the Council with an unmodified audit report.

Independent auditor's report to the members of North Somerset Council

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of North Somerset Council (the 'Authority') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund Account and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Expenditure and Funding Analysis, Notes to the Core Statements, Policies and Judgements and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Interim Director of Finance and Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Audit opinion

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Interim Director of Finance and Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Director of Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Interim Director of Finance and Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings, property investments and the Authority's share of the pension fund property assets

We draw attention to **Note x** of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings, investment property and the Authority's share of the pension fund's property investment as at 31 March 2020. **As, disclosed in note x to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.**

Other information

The Interim Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Audit opinion

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Interim Director of Finance and Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 25, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Resources. The Interim Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Interim Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Interim Director of Finance and Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Audit opinion

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the North Somerset Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol
[Date]



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