

The Annual Audit Letter for Birmingham City Council

Year ended 31 March 2020

January 2021



Contents



**Your key Grant Thornton
team members are:**

Jon Roberts

Key Audit Partner

T: 0117 305 7699

E: Jon.Roberts@uk.gt.com

Laurelin Griffiths

Engagement Manager

T: 0121 232 5363

E: Laurelin.H.Griffiths@uk.gt.com

Zak Francis

Support Manager

T: 0121 232 5164

E: Zak.Francis@uk.gt.com

Kirsty Lees

In-Charge Auditor

T: 0121 232 5242

E: Kirsty.Lees@uk.gt.com

Section	Page
1. Executive Summary	3
2. Audit of the Financial Statements	4
3. Value for Money conclusion	10

Appendices

- A Reports issued and fees
- B Fee variations

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Birmingham City Council (the Council) and its subsidiaries and associates (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 Audit Committee as those charged with governance in our Audit Findings Report on 25 November 2020 and 22 December 2020.

Respective responsibilities

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

- give an opinion on the Council 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.

Our work

Materiality	We determined materiality for the audit of the group's financial statements to be £34,400,000, which is 1.2% of the group's gross cost of services.
Financial Statements opinion	<p>We gave an unqualified opinion on the group's financial statements on 8 January 2021.</p> <p>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 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.</p>
Whole of Government Accounts (WGA)	We are in the process of completing work on the Council's consolidation return following guidance issued by the NAO. This work is substantially complete, and we will issue our assurance statement once we have confirmed that the required changes have been made.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	<p>We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for specific weaknesses identified in the arrangements relating to the Commonwealth Games and the Council's Highways PFI agreement.</p> <p>We therefore qualified our value for money conclusion in our audit report to the Council on 8 January 2021.</p>
Certificate	We are unable to certify that we have completed the audit of the financial statements of Birmingham City Council until we complete our work on the Council's WGA consolidation return.

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

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 £34,400,000, which is 1.2% of the group's gross cost of services. We determined materiality for the audit of the Council's financial statements to be £34,350,000, which is 1.2% of the Council's gross cost of services. 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 set a lower threshold of £1,700,000, above which we reported errors to the Audit 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
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 expected current circumstances would have an impact on the production and audit of the financial statements for the year ended 31 March 2020	As part of our audit work we have: <ul style="list-style-type: none">• worked with management to understand the implications the response to the Covid-19 pandemic has had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations;• liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose;• evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;• evaluated whether sufficient audit evidence could be obtained in the absence of physical verification of assets through remote technology;• evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances; and• evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment	<p>The Council's valuer reported their valuations as at 31 March 2020 on the basis of 'material valuation uncertainty'. Similarly, the valuation of the Pension Fund's investment properties are also reported on the basis of 'material valuation uncertainty'.</p> <p>We referred to these material valuation uncertainties in our audit report.</p> <p>During our testing of a sample of the Council's expenditure transactions, we have selected several items relating to the Council's use of purchase cards. Due to the pandemic, the Council have been unable to access the supporting documentation for these transactions, which is kept in their offices. We have determined that the total value of similar transactions during the 2019/20 year was £11.5m, and so we do not consider that this gives rise to a risk of material misstatement in the financial statements.</p> <p>We did not identify any other issues or concerns to report.</p>

Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings, including council housing, on a rolling basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, where a rolling programme is used, management will need to ensure the carrying value in the Council and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.</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 the 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 valuations were carried out; • engaged our own valuer to assess the instructions issued by the Council to their valuers, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • tested, on a sample basis, revaluations of the Council's operational properties, investment properties, and HRA properties during the year to ensure they have been input correctly into the Council's asset register and financial statements; and • evaluated the assumptions made by management for any assets not revalued at 31 March 2020, including those in the HRA, and how management has satisfied themselves that the carrying value of these assets in the balance sheet is not materially different to their current value at year end. 	<p>Our audit work identified two non-material errors in the valuation of the Council's property, plant and equipment which were adjusted in the audited financial statements.</p> <p>In addition to these, we identified potential differences and uncertainties in property valuations which have not been adjusted in the audited financial statements, primarily due to assets being valued prior to the financial year-end and therefore not taking into account market movements to 31 March 2020.</p> <p>We note that the financial statements contain a prior period adjustment. The Council disposed of two assets in 2017/18, but did not derecognise these in the accounts. This issue was identified by officers during the 2019/20 financial year, and processed retrospectively. In our view, as the transaction was not material, the disposal should have been transacted within the 2019/20 year, and not as a prior period adjustment.</p> <p>The Council's valuer reported their valuations as at 31 March 2020 on the basis of 'material valuation uncertainty'. We referred to this material valuation uncertainty in our audit report.</p> <p>Our audit work has not identified any other issues in respect of the valuation of the Council's land and buildings.</p>

Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of net pension liability</p> <p>The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>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.</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 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 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, including consideration of the experience loss recognised in-year following the triennial valuation at 31 March 2019; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of the West Midlands Local Government 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. This assurance included the approach taken to the triennial valuation at 31 March 2019. 	<p>During our work to assess the accuracy and completeness of the information provided to the actuary, we identified that the data initially submitted for April 2019 did not agree to payroll records. This was later corrected by the Council in a subsequent data submission to the actuary.</p> <p>The valuation of the Pension Fund's investment properties are also reported on the basis of 'material valuation uncertainty'. We referred to this material valuation uncertainty in our audit report</p> <p>Our audit work has not identified any other issues in respect of the valuation of the Council's pension fund net liability</p>

Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal 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.</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"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence; evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions; and reviewed and tested consolidation adjustments and intra-group elimination entries. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>
<p>Valuation and completeness of equal pay liability</p> <p>Under ISA 540 (Auditing Accounting Estimates, including Fair Value Accounting Estimates and Related Disclosures) the auditor is required to make a judgement as to whether any accounting estimate with a high degree of estimation uncertainty gives rise to a significant risk.</p> <p>We identified the valuation and completeness of the Council's equal pay provision 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 over the estimation of the equal pay liability, and evaluated the design of the controls in place; evaluated the assumptions on which the estimate was based; considered whether events or conditions exist that could have changed the basis of estimation; on a sample basis, reperformed the calculation of the estimate; assessed the accuracy and completeness of the information used to estimate the liability; confirmed that the estimate has been determined and recognised in accordance with accounting standards; determined how management have assessed the estimation uncertainty; and considered the impact of any subsequent transactions or events. 	<p>The Council disclosed uncertainties in Note 33 in relation to the completeness of the equal pay provision. As in previous years, we referred to this uncertainty in our audit report.</p> <p>Our work did not identify any significant issues with the calculation of the appeals provision balance.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 8 January 2021.

Preparation of the financial statements

Management presented us with draft financial statements in August 2020 in accordance with the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the group's Audit Committee on 25 November 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 August 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 are in the process of carrying out work in line with instructions provided by the NAO. We have yet to complete this work and issue our assurance statement.

Certificate of closure of the audit

We are unable to certify that we have completed the audit of the financial statements of Birmingham City Council until we complete our work on the Council's WGA consolidation return.

Value for Money conclusion

Background

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

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

Key findings

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

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

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

Overall Value for Money conclusion

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

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Council resilience and financial sustainability</p> <p>At the time we completed our planning we considered that there was a risk that the proposed 2019/20 savings plans would not deliver the required recurrent savings, or would take longer to implement than planned. In addition, the Council's medium term financial plan for 2020-21 to 2023-24 needed to incorporate realistic and detailed savings plans, while at the same time maintaining an adequate level of reserves to mitigate the impact of risks including the PFI contract, Commonwealth Games, Equal Pay and Paradise Circus.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none">• Gained an understanding of the progress made by the Council against previous recommendations, made by Grant Thornton and other bodies, and the work of the Strategic Programme Board and the Non-Executive Advisor for Financial Resilience;• Reviewed the Council's latest financial reports, monitoring report and savings plans trackers to establish how the Council is identifying, managing and monitoring these risks;• Evaluated the adequacy of reserves and the prudence of their use, as well as the transparency of financial reporting;• Challenged the work that the Council has done to re-base its financial budgeting and planning, including the reprofiling of capital projects and the resulting slippage in the capital plan;• Assessed the Council's approval routes and their appropriateness and effectiveness; and• Gained an understanding of the work that the Council has done to assess and mitigate the impact of Covid-19 on its financial planning and resilience.	<p>The Council has made progress in addressing our Statutory Recommendations, and the recommendations arising from CIPFA's financial management review. Actions have been taken to address key areas of overspend and under-delivery of savings, and the Council's outturn position was an underspend in 2019/20.</p>

Value for Money conclusion

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial impact of the Commonwealth Games</p> <p>In our 2018/19 VFM work, we identified the VFM risk that the cost of hosting the Commonwealth Games (the Games) could impact on the Council's future financial sustainability.</p> <p>At the time of giving our VFM conclusion in September 2019, we noted that the Council had strengthened its governance arrangements relating to the delivery of the Games over the previous 12 months, and had clarified the governance framework under which partner bodies would report and work</p> <p>Work to identify sources of funding for the Council's share of the costs was ongoing at the time we completed our initial risk assessment. We therefore still considered this to be a significant risk for the purposes of our VFM work in 2019/20.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> • Evaluated the Council's latest governance arrangements for the delivery of the XXII Commonwealth Games in 2022 and assessing their reasonableness; • Gained an understanding of the associated funding arrangements; and • Gained an understanding of how the Council is identifying, managing and monitoring risks. 	<p>We have concluded that the projected cost overruns (more than 20% higher than the original planned cost) reported to Cabinet in March 2020, only nine months after the original Full Business Case was approved, are demonstrative of inadequate financial planning in the development of the original Full Business Case for the PBRS, which had been put together over a relatively short time period and, as a result, we are not satisfied that the Council has fully mitigated this risk during 2019/20.</p> <p>We have qualified our conclusion in respect of this.</p>
<p>Contractual arrangements relating to the highways PFI Scheme</p> <p>At the time of giving our VFM conclusion in September 2019, a settlement agreement had been made between Birmingham Highways Ltd (BHL) and Amey LG, with financial risk to the Council. However, preparations were ongoing for Amey LG's exiting of the PFI contract. We therefore still considered this to be a significant risk for the purposes of our VFM work in 2019/20.</p> <p>In February 2020, the Council announced the appointment of Kier as interim services provider, with work ongoing to identify a long-term maintenance and management partner to replace Amey LG.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> • Assessed the key risks faced by the Council, and established how the Council is identifying, managing and monitoring risks; • Gained an understanding of the procurement process undertaken by the Council for the interim service provision, and assessed its appropriateness; and • Gained an understanding of the procurement process underway for long-term service provision, and assessed its appropriateness. 	<p>There is a significant financial gap in the highways PFI contract over the remainder of its term, the full scale of which was not known to the Council until the end of the 2019/20 financial year.</p> <p>As a result of this, the Council has had to fundamentally change its approach to discussions with Birmingham Highways Limited regarding the subcontracting of the remainder of the agreement, and is considering significant changes to the PFI arrangements going forward.</p> <p>We have qualified our conclusion in respect of this.</p>

Value for Money conclusion

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Waste service continuity and industrial relations</p> <p>At the time of giving our VFM conclusion in September 2019, the Council had commissioned an independent review of the Waste Service, but this had not concluded. The Council intended to wait for that report before making decisions about future options for the service. Our 2018/19 VFM conclusion was qualified on this basis. This report has since been received by the Council, and the previous Memorandum of Understanding ended in November 2019. We therefore still consider this to be a significant risk for the purposes of our VFM work in 2019/20.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> • Gained an understanding of the progress made by the Council against previous recommendations, made by Grant Thornton and other bodies, and the work of the Strategic Programme Board and the Non-Executive Advisor for Waste Management and Industrial Relations; and • Evaluated the governance arrangements in place for the Waste Service 	<p>The Council has made progress in addressing our Statutory Recommendations, with phase 1 of the independent review reported to Cabinet in February 2020. There has been a significant improvement in the relationship between the Council and its trade union partners, as well as improvements in the performance of the waste service.</p>
<p>Contract monitoring and management</p> <p>The Council's internal audit function, Birmingham Audit, issued two separate reports during the 2019/20 year that highlight substantial issues and weaknesses relating to the management and monitoring of significant contracts. We therefore considered that these reports might be indicative of wider weaknesses in the Council's arrangements for contract monitoring and management, and considered this to be a significant risk for the purposes of our VFM work in 2019/20.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> • Established and assessed the work done by the relevant directorates to address the findings contained in the reports issued by Birmingham Audit; • Challenged the Council over any potential wider impacts of the weaknesses; • Gained an understanding of the work being completed by the Council to improve the procurement service; and • Obtained copies of reports prepared through the use of external advisors, and evaluating the significance of their findings. 	<p>The Council is actively working to improve the quality and efficiency of its procurement service. Issues that were raised by Birmingham Audit have been addressed rapidly, and there are clear, proactive attempts being made to improve these areas. We have found no evidence of wider, systematic weaknesses in the Council's arrangements.</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	January 2020
Audit Findings Report	November 2020
Annual Audit Letter	January 2021

Fees

	Planned £	Actual fees £
Council audit	297,409	333,659
Audit of subsidiary companies:		
• Acivico Limited	35,000	35,000
• NEC (Developments) plc	35,000	35,000
• PETPS subsidiaries	37,500	37,500
Total fees	404,909	441,159

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £241,909 for the Council 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 table on the next page.

Fee variations are subject to PSAA approval.

Fees for non-audit services

Service	Fees £
Audit Related Services:	
• Certification of 2018/19 Housing Benefits Subsidy claim	29,500
• Certification of 2018/19 Teachers' Pension return	7,250
• Certification of 2018/19 Housing capital receipts grant	5,250
• ESFA agreed upon procedures 2018-19	5,000
• AMSCI reasonable assurance engagements	15,800
• Certification of 2019/20 Housing Benefits Subsidy claim	27,500
• Certification of 2019/20 Teachers' Pension return	7,500
Non-Audit Related Services:	
• CFO insights subscription (2018/19)	10,000
• CFO insights subscription (2019/20 - to 31 March 2020)	10,000
• CASS reporting for Finance Birmingham 2019	7,000

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The table above summarises all non-audit services which were identified.
 - We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place.
- The above non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor

B. Fee variations

Area	Reason	Fee proposed
Scale fee	Assuming that the scope of the audit does not significantly change	£241,909
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. As outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile of local audit. This has entailed increased scoping and sampling.	£13,000
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.	£4,500
PPE Valuation – work of experts	We have engaged our own auditor expert – Wilks Head & Eve LLP – and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. This increase includes an estimate for the fee payable to the auditor's expert, which we estimate will be in the region of £5,000.	£10,000
New standards and developments	You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust.	£4,000
Local issues	There are a number of local issues specific to the Council and its audit which will require additional inputs to complete our work, including: monitoring the impact of the Strategic Programme Board; the increased level of work we anticipate will be required to support our audit opinion and VFM conclusion, including preparations for the Commonwealth Games, the new strategic risk strategy and implementation of the finance improvement plan; work on the Council's PFI model and the retendered Highways arrangements; and additional testing to gain assurance around the completeness of the Council's expenditure, following issues noted in the 2018/19 year.	£20,000
Enhanced Audit Report	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. As outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile of local audit. This will entail increased scoping and sampling.	£4,000
Impact of Covid-19 on the audit	Restrictions for non-essential travel have meant both Council and audit staff have had to work remotely throughout the audit visit, which has led to the audit taking more time to complete than previous years.	£36,250
Total	Subject to PSAA approval	£333,659

