The Annual Audit Letter for Bath and North East Somerset Council and Avon Pension Fund

Year ended 31 March 2020

8 March 2021

Contents

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Bath and North East Somerset Council (the Council) and its subsidiaries, ADL Ltd and ACL Ltd (the group) and the Pension Fund 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 Corporate Audit Committee as those charged with governance in our Audit Findings Report on 26 November 2020 and the 4 February 2021.

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 and the Pension Fund'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 £6,775,000, which is 1.9% of the group's gross expenditure. We determined materiality for the audit of the Pension Fund financial statements to be £44,000,000, which is 1% of total net assets.
Financial Statements opinion	We gave an unqualified opinion on the Council's group financial statements and the Pension Fund's financial statements on 22 February 2021. We included an emphasis of matter paragraph in our report for the Council in respect of the uncertainty over valuations of the Council's land and buildings and investment property, and the property assets of its pension fund given the Coronavirus pandemic. We included a similar paragraph in our auditors report for the Pension Fund in respect of property assets also due to the Covid-19 pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's and Pension Fund's financial position and the income and expenditure for the year.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report of 22 February 2021.
Certificate	We certified that we have completed the audit of the financial statements of Bath and North East Somerset Council in accordance with the requirements of the Code of Audit Practice on 22 February 2021.

Working with the Council

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

Grant Thornton UK LLP
March 2021

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Audit of the Financial Statements

Our audit approach

Materiality

The Council and Group

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 £6,775,000, which is 1.9% of the group's gross cost of services. We determined materiality for the audit of the Council's financial statements to be £6,700,000, which is 1.9% 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 also set a lower level of specific materiality for senior officer remuneration, of £20,000.

We set a lower threshold of £339,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

Avon Pension Fund

We determined materiality for the audit of the Pension Fund's financial statements to be £44,000,000 which is 1% of the total net assets. We used this benchmark as, in our view, the users of the Pension Fund's financial statements are most interested in where the Fund has invested the monies necessary to cover future pension obligations.

The scope of our audits

Our audits 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 audits 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 and Pension Fund'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 - Group

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 conclusion
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.	As part of our audit work we have: • 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. Changes were made to materiality levels previously reported following receipt of the draft financial statements to reflect actual spend in the year. The draft financial statements were provided on 9 July 2020 marginally behind the agreed timetable but ahead of the 31 August deadline (revised nationally). • 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. • engaged the use of auditor experts where auditor has deemed it necessary for asset valuations.	Our audit work has not identified any significant issues in respect of Covid-19 specific risks. The Council updated its draft accounts to include a disclosure in respect of the material uncertainty in relation to the Council's share of the Pension Fund property assets.

Audit of the Financial Statements - Group

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 conclusion
Income from Other Fees and Charges Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. For Bath and North East Somerset Council, we have concluded that the greatest risk of material misstatement relates to 'Other Fees and Charges Income'. We have therefore identified the occurrence and accuracy of 'Other Fees and Charges' income as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. We have rebutted this presumed risk for the other revenue streams of the group and Authority because: • Other income streams are primarily derived from grants or formula based income from central government and tax payers; and • opportunities to manipulate revenue recognition are very limited.	For revenue streams where we have rebutted this risk, no changes to our assessment as reported in the audit plan has been noted. For 'Other Fees and Charges Income' we have: • evaluated the group's accounting policy for recognition of income from Other Fees and Charges for appropriateness; • gained an understanding of the Authority's system for accounting for income from Other Fees and Charges and evaluated the design of the associated controls; • agreed, on a sample basis, amounts recognised as income from Other Fees and Charges in the financial statements to supporting document.	Our work has not identified any issues in respect of Other Fees and Charges income.

Audit of the Financial Statements - Group

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 conclusion
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority 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, which was one of the most significant assessed risks of material misstatement.	We: • evaluated the design effectiveness of management controls over journals • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • analysed the journals listing and determine 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 • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	Our audit work has not identified any significant issues with regards to management override of controls

Audit of the Financial Statements - Group

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 conclusion
Valuation of investment property (Annual revaluation) The group revalues its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£311 million per the draft accounts) and the sensitivity of this estimate to changes in key assumptions. Management engaged the services of a valuer to estimate the current value as at 31 March 2020. We therefore identified valuation of investment property, 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.	We: • 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 to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding	Our in-depth review and challenge of the basis and source data used by your Valuers to arrive at the carrying value of Investment Property highlighted the scope for increased review by Officers for some valuations. We have raised a recommendation that Officers review the basis of all valuations provided by the expert valuers for reasonableness. We have also raised a recommendation that the information is accessible for auditors during the course of the audit. We included an emphasis of matter paragraph in the audit opinion to reflect the uncertainty surrounding investment property valuations at the year end. In line with RICS guidance, the valuers employed by the Council included a material uncertainty in their final valuation reports. Officers reflected this in the financial statements in the section 'Assumptions made about the future and other major sources of estimation uncertainty' in relation to investment property, and property, plant and equipment values. The emphasis of matter paragraph refers to this disclosure in the accounts and draws attention to it for the readers of the financial statements and reflects the increased uncertainty in global markets created by Covid-19. This is in line with other local councils

Audit of the Financial Statements - Group

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 conclusion
Valuation of land and buildings (Rolling revaluation) The group 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 (£227 million per the draft accounts) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group 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.	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 • written to the valuer to confirm the basis on which the valuation was carried out • tested revaluations made during the year to see if they had been input correctly into the group's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.: • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding	Our in-depth review and challenge of the basis and source data used by your Valuers to arrive at the carrying value of land and buildings highlighted the scope for increased review by Officers for some valuations. We have raised a recommendation that Officers review the basis of all valuations provided by the expert valuers for reasonableness. We have also raised a recommendation that the information is accessible for auditors during the course of the audit. We included an emphasis of matter paragraph in the audit opinion to reflect the uncertainty surrounding land and buildings valuations at the year end. In line with RICS guidance, the valuers employed by the Council included a material uncertainty in their final valuation reports. Officers reflected this in the financial statements in the section 'Assumptions made about the future and other major sources of estimation uncertainty' in relation to investment property, and property, plant and equipment values. The emphasis of matter paragraph refers to this disclosure in the accounts and draws attention to it for the readers of the financial statements and reflects the increased uncertainty in global markets created by Covid-19. This is in line with other local councils.

Audit of the Financial Statements - Group

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 conclusion
Valuation of pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£306 million in the draft accounts) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • 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; • agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • obtained assurances from the auditor of Avon 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. • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability.	The Pension Fund's financial statements disclosed a material uncertainty regarding the valuations of property investments at the year end. Given the significant share of the Pension Fund assets that are attributable to Bath and North East Somerset Council, there is a similar material uncertainty associated with the Council's pension net liability and a new disclosure was included with the Council's accounts. Our audit opinion referred to this disclosure as an 'emphasis of matter'. Our audit work has not identified any further significant issues with regards to valuation of the pension fund net liability.

Audit of the Financial Statements - Group

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 conclusion
Accounting for the creation of the subsidiary Aequus Developments Ltd In 2016, the Authority created a wholly owned subsidiary company Aequus Developments Ltd with the aim of delivering property development services to the Authority through a more focussed and commercial approach, enabling the Authority itself to focus on the delivery of services. In 2017/18 and 2018/19 the company was not consolidated due to the quantitative and qualitative aspects were not considered to be material by Bath and North East Somerset Council. Activity at ADL has increased significantly in 2018/19; the Council will need to consider whether Group Accounts will be produced in 2019/20. The consolidation of the subsidiary may give rise to a number of material accounting transactions in the financial statements for which the economic substance of the transactions needs to be considered. We therefore identified the accounting transactions associated with the consolidation of Aequus Developments Ltd as a significant risk, which was one of the most significant assessed risks of material misstatement.	We: • discussed with key group personnel, the underlying substance of the transactions and the basis of the group's proposed accounting treatment of the arrangements; • reviewed the Group structure of the Council; • reviewed the qualitative and quantitative materiality of the Council's subsidiaries in relation to the Council's operations. • obtained an copy of the Group materiality document to be prepared by the Council; • reviewed the key agreements to gain an understanding of the agreements put in place on the establishment of the company • critically assessed the economic substance of the transactions to assess the appropriateness of the accounting treatment adopted by the group in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance;	Our audit work has not identified any significant issues with regards to accounting for the creation of the subsidiary Aequus Developments Ltd.

Audit of the Financial Statements - Pension Fund

Pension Fund Significant Audit Risks

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

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 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 • For instruments classified as fair value through profit and loss there may be a need to review the Level 1-3 classification if the instruments of trading may have reduced to such and extent that quoted prices are not readily and regularly available and therefore do no represent actual and regularly occurring market transactions. • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	We: • worked with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • evaluated the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • evaluated whether sufficient audit evidence could be obtained using alternative approaches for the purposes of our audit while working remotely; • evaluated whether sufficient audit evidence could be obtained to corroborate management's fair value hierarchy disclosure • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as level 3 asset 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 if we have been unable to obtain sufficient audit evidence.	The Fund responded well to the challenge of remote working and were able to produce draft financial statements in accordance with the agreed timetable, albeit this was a month later than in previous years. Whilst the nature of the Fund and its funding position (i.e. not in a winding up position or no cessation event) means the going concern basis of preparation remains appropriate management were required to consider whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen. As explained on page 11, the Pension Fund has disclosed that a material uncertainty exists in respect of property assets held by the Fund and will refer to this in our audit opinion as an 'emphasis of matter'. Our opinion is not qualified in this respect.

Audit of the Financial Statements - Pension Fund

Pension Fund Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
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. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Avon Pension Fund mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Avon Pension Fund	We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for Avon Pension Fund.	Our audit work has not identified any issues in respect of improper revenue recognition.

Audit of the Financial Statements - Pension Fund

Pension Fund Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Management over-ride of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its stewardship of funds 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, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	Our testing of estimates, judgements and journals have not identified any evidenced of management override of controls.

Audit of the Financial Statements - Pension Fund

Pension Fund Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of Level 3 investments The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£793 million) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2020. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes for valuing Level 3 investments • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently requested year-end confirmations from investment managers and custodians. • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2020 with reference to known movements in the intervening period • in the absence of available audited accounts, we evaluated the competence, capabilities and objectivity of the valuation expert • where available reviewed investment manager service auditor report on design effectiveness of internal controls.	Our audit work focuses on looking at external confirmations from both investment managers and the custodian, and as a result there will always be differences, which are largely as a result of timing differences in when information is received compared to the information available when management are estimating the values for the accounts. From the work performed, where we have independently requested year-end confirmations from investment managers and custodians, the following difference were noted, whereby, management and the custodian have used the fund manager valuation as at 28 February 2020 to provide their year-end fair value. This is because the fund manager does not produce the report until after the accounts deadline. For this year, the following differences were identified: • Level 3 – JP Morgan Valuation: The figure included in the accounts is £257.9m, this is derived by the custodian taking the actual figure at December 2019 and then adjusting this for drawdowns and distributions. The audit team received the valuation of £251.1m from the Fund Manager. The difference between the figure included in the accounts and the figure received as the actual value of the investment is different by £6.8m. This £6.8m difference is above our triviality levels and is therefore included within our audit adjustments section (Appendix C), but management have chosen not to adjust the accounts for the value, given that the difference is not material. Given that our headline materiality is £44.7m, we are comfortable that this difference does not present of a risk of material misstatement of the fair value of your investments. The difference referenced below does not indicate any weakness in management's arrangements for estimating investment values at year end. Our audit work has not identified any other issues in respect of the valuation of Level 3 investments.

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's and Pension Fund's financial statements on 22 February 2021.

Preparation of the financial statements

The Authority presented us with draft financial statements in July 2020 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.

As highlighted in Appendix A, despite the positive and proactive approach taken by officers at the Authority, the nature of the new remote access working arrangements, i.e. remote accessing financial systems, video calling, and verifying the completeness and accuracy of information produced by the Authority, resulted in additional time to complete the audit and, consequently, the cost of delivering the final audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the group's Corporate Audit Committee on 26 November 2020 and 4 February 2021.

In addition to the key audit risks reported above, we identified the following issues/adjustments throughout our audit that we have asked the group's management to address for the next financial year:

- We recommend that continued close in year monitoring and timely corrective action is undertaken for the Medium Term Financial Strategy.
- We recommend that Officers review the basis of all valuations provided by the expert valuers for reasonableness. We also recommend that the information is accessible for auditors during the course of the audit.

We reported fifteen disclosure amendments which were adjusted in the 2019/20 financial statements.

There was one unadjusted misstatement in with a total impact on net expenditure of £1.390m. The item is not material either individually or cumulatively when considered with other unadjusted differences, and no amendment was deemed necessary.

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 July 2020.

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

Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of Avon Pension Fund on 22 February 2021. We also reported the key issues from our audit of the pension fund accounts to the Council's Corporate Audit Committee on 26 November 2020.

In addition to the key audit risks reported above, we identified the following issues/adjustments during our audit that we asked management to address for the next financial year were:

- From the work performed it was noted that the controls report for Jupiter Asset Management offered a qualified opinion. We are satisfied that there is no impact to our audit, however, we report this to you for information.
- From the work performed on Benefits Payable it was noted that one member's pension records had not been transferred to Avon Pension Fund . We are satisfied that there is no impact to our audit, however, we report this to you for information.

We reported nine disclosure amendments which were adjusted in the 2019/20 financial statements. There was one unadjusted misstatement with a total impact on net expenditure of £6.793m. The item is not material either individually or cumulatively when considered with other unadjusted differences, and no amendment was deemed necessary.

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold on 22 February 2021.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Bath and North East Somerset Council in accordance with the requirements of the Code of Audit Practice on 22 February 2021.

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 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

Risks identified in our audit plan	Commentary
Medium Term Financial Strategy The ongoing challenge of meeting the savings outlined by Central Government continue to put pressures on Local Government finances. Bath and North East Somerset Council currently has a balanced budget for 2020/21 and a projected budget gap for 2021/22 and beyond. Over the two years to 2021/22, the budget gap is £13.63m before savings proposals. So far, £6.9m of savings have been identified but a further £6.73m savings will need to be found in 2021/22. As at month 9, the expected 2019/20 year-end position at the end of December 2019 is in line with the budget set in February 2019 despite continued additional demand in Children's Services, and other pressures. In the short term the Council has one off reserves that can be used to mitigate these pressures but the longer term implications are challenging. The continued pressure from Children's Services has resulted in overspends annually and further enforces the need to identify alternative methods of achieving the Council's financial position for the future. **Work proposed:** We will review the actions taken to identify savings and how these have been challenged and consider the plans to identify further savings. We will review monitoring arrangements, including the robustness of the Council's Medium Term Financial Strategy, the delivery of the 2019/20 budget, and the action taken when plans are not being delivered.	**2019/20 Outturn** The Council set a net budget of £113.1 million for the 2019/20 financial year which was predicated on the delivery of £8.9 of savings and included an increase in council tax of 2.95% for the year and a 1% national adult social care precept. The budget included planned transfers to reserves of £1.9m. In response to previous year's pressures in its demand lead services, the 2019/20 budget included increased funding for both children's and adult's, with £6.6m of extra funding being provided across these two service lines when compared with 2018/19. Historically the Council has a strong track record of meeting its financial targets, and despite a challenging year, the Council reported a small underspend of £0.12m against the revised 2019/20 budget of £107.8m after allowing for proposed carry forwards. This underspend was transferred to the revenue budget contingency reserve at year end. The significant reduction in original budget to arrive at the revised budget against which performance was reported was due to the receipt of £4.6m of covid-19 government un-ringfenced support towards the end of the financial year and the transfer of £2.35m of a contingency budget held within Children's services relating to SEND pressures following confirmation from the DFE that these costs had to be ring-fenced against DGG and could not be funded from general fund. Against revised budget the main financial pressures were in commercial estate and children's services. The commercial estate recorded a shortfall in budgeted income of £0.8m due to a slowing down of retail income and challenges in new acquisitions to generate additional income. Children's services reported a £2.24m overspend with key placement increases, particularly for those with highest need, being the main driver for the overspend. We note that adult services remained within budget for the year despite ongoing cost and demand pressures. The overspend in children's was offset by some additional funding received in year and large underspends in areas such as the resources directorate due to reduced capital financing costs resulting from delays in the delivery of a number of capital schemes.

Value for Money conclusion

Risks identified in our audit plan	Commentary
Medium Term Financial Strategy *continued*	The original savings target included in the 2019/20 budget was £8.9m of which 35% were considered high risk. In recognition of this £2m of the revenue budget contingency was set aside to meet any shortfall. The 2019/20 outturn report recorded the achievement of £6.8m (76%) of the target savings. The main areas of slippage were in the areas of service improvement and contract management. A review of the savings indicated that some areas, such as the modern libraries and customer services review, were well managed and fully delivered through effective service redesign but others such as the centralization of training saving fell short after it was realized this would not provide sufficient funding to meet mandatory training across the Council. Continued efforts are required to ensure annual savings plans are realistic and achievable and actively managed to ensure the greatest chance of full delivery. 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 robust financial management arrangements in place. The Council has robust processes in place for monitoring and reporting the achievement of saving plans but recognise more is needed to ensure a greater percentage of savings are delivered going forward. **Reserves and balances at 31 March 2020** The then s151 officer, assessed the level of general fund balances and reserves as 'adequate and reasonable in meeting the Council's risks' at the most recent budget setting round in February 2020. At 31 March 2020, the general fund balance sat at £12.7m an increase of £0.3m on the previous year and in line with the risk range of £12.3m - £13.5m approved as part of the 2020/21 budget setting round. Excluding this general fund balance the Council also has £49.8m in earmarked reserves an increase from the £40.3m at the end of the previous year. This in our view is a healthy level of reserves and balances and provides some degree of contingency in the event of increased financial pressures into the medium term. **2020/21** The net budget for 2020/21 totalling £118.3m was set in February 2020 and included a 3.98% increase in Council Tax which once again included a 1.99% adult social care precept. The budget process considered service demand pressures on expenditure as well as inflation, pay and pension costs. Although the 2019/20 outturn position was not fully known at the time of setting the 2020/21 budget, it was recognised that children's, once again, was struggling to contain spend within budget. In response the 2020/21 budget included increased funding for children's of £3.0m, an increase of over 10% on the previous year's budget. The 2020/21 budget was predicated on a much smaller level of savings totalling £4.85m, just over half the level required in 2019/20. Of these savings only 11% were categorised high risk compared with 35% in the previous year.

Value for Money conclusion

Risks identified in our audit plan	Commentary
Medium Term Financial Strategy *continued*	The Covid-19 pandemic has meant officers have had to respond quickly to the impact that this has had on the finances of the Council. Although of limited impact for 2019/20, it was clear from the outset that this would have a major impact on 2020/21 and possibly future years as well. During the early stages of the pandemic officers were predicting the full year impact of Covid-19 for 2020/21 to be a cost pressure of £42.1m before mitigations and government support. The financial recovery plan approved by Cabinet in July 2020 approved £20.7m of cost saving measures which combined with an estimated £10m (actual as at July £13.2m) of government support would result in a £11.4m deficit, if fully implement. This shortfall was to be funded form a combination of earmarked reserves and balances. The implementation of some of these measures combined with the refinements to the 2020/21 forecast as further announcements have been made by central government has resulted in an improving picture. Most recent projections to Cabinet in November 2020 indicate that the forecast receipt of grant income from government for lost sales, fees and charges will now enable the Council to balance its budget for 2020/21. Specifically, loss of sales, fees and charges, a significant element of the Council's budget is now attracting approximately 2/3rds support funding from government providing some respite to the financial challenges in 2020/21. This was, however, based on the position prior to the announcement of the full lockdown for November 2020 and continued efforts will now be required to manage the budget and respond accordingly for the remainder of the year. Inevitably deliverability of some of the original planned savings set out in the original budget will be at risk due to diverting resources to responding to the emergency. Our review of a sample of the 2020/21 financial recovery plan indicates that some have been withdrawn due to the improving financial position. These included the £2.84m of salary savings to be achieved through vacancies and reduced hours. Whilst others such as the £2.5m from Heritage Services made up of a range of mitigations to take into account the material loss of income and need for lower operating costs to run the service whilst demand has fallen are broadly on track.

Value for Money conclusion

Risks identified in our audit plan	Commentary
Medium Term Financial Strategy *continued*	**Medium Term Financial Strategy** The Council's latest MTFS for 2021/22 through to 2025/26 was approved by Cabinet in October 2020. It reflects the impact that the continued uncertainty could have on the Council's income into the medium term and a recognition that the annual budgets would be in deficit for some time and may necessitate the use of reserves and balances to balance the books. Due to the continued uncertainty, it predominantly focuses on 2021/22 and 2022/23 and there is less detail on savings and their deliverability and how income levels can be increased that there would be in any normal MTFS. Savings over the 5 year period of the MTFS are estimated at £35.9m of which £2.8m (8%) have already been identified. Use of reserves provide some opportunities to reduce some of these savings. 2021/22 is seen as the year with the biggest challenges with a funding gap of £18.3m at the time of reporting falling to £8.0m in the following year Although the Council has capacity in the short term to meet budget shortfalls through use of reserves and balances, this is not sustainable into the medium term. The continued uncertainty of Covid-19 means continued monitoring of the impact on the remainder of the MTFS remains key and that assumptions are revisited as further clarify emerges on funding, support and the likely level of income should some sense of normality return.

Value for Money conclusion

Risks identified in our audit plan	Findings and conclusion
Medium Term Financial Strategy *continued*	Our key findings are: • While the Council faces a challenging financial position there remain appropriate arrangements in place for managing the budget. • We have concluded that you had good arrangements in place to set a realistic and achievable budget for 2019/20. • We do, however, recognise that not all savings were delivered in 2019/20 and although the initial 2020/21 budget was predicated on a lower level of savings, Covid-19 has made reliable financial planning into the medium term more challenging. • We have concluded that the Council has responded appropriately to the impact of Covid-19 on its Medium Term Financial Strategy. The Council recognises the inherent risk due to this and the combination of loss of income, increased demand for services, increased unit costs, greater expectations and continued austerity. • General Fund balances and earmarked reserves remain adequate. • Continued close in year monitoring and timely corrective action will be required to ensure budgets are delivered and service redesign with partners implemented. • Overall, we have concluded that the Council has proper arrangements in all significant respects to ensure it delivered value for money in its use of resources; we have made a recommendation that Management continue to monitor the use of reserves and deliver sustainable budgets in the medium term. **Conclusion** Overall, we have concluded that the Council has proper arrangements in all significant respects to ensure it delivered value for money in its use of resources; we have made a recommendation that Management continue to monitor the use of reserves and deliver sustainable budgets in the medium term. **Recommendation** We recommend that continued close in year monitoring and timely corrective action is undertaken for the Medium Term Financial Strategy.

A. Reports issued and fees - Council

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

Audit fees	**Proposed fee**
Combined Authority scale fee	95,351
Additional proposed audit fee proposed at planning stage	23,350
Total proposed audit fees (excluding VAT) at planning	**£118,701**
Further additional fees proposed at completion	19,580
Total proposed audit fees (excluding VAT) on completion	**£138,281**
Audit of Pension Fund	

Reports issued

Report	Date issued
Audit Plan	27 February 2020 (addendum 5 May 2020)
Audit Findings Report	23 November 2020, 27 January 2021 and 22 February 2021.
Annual Audit Letter	8 March 2021

Audit fee variation

We confirm above our final fees charged for the audit and final reports issued.

The Bath and North East Somerset Council Audit Plan presented in March 2020 included £23,350 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit, the raising of the bar by our regulator and the further work arising from local developments. This is reflected in the total proposed audit fees at planning above.

Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £19,580 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £138,281. Further details on the breakdown is provided on the next page.

This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

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

We have discussed and agreed these additional fees with the Director of Finance. Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

A. Reports issued and fees continued

Final proposed audit fees - The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	95,351	
Raising the bar	5,000	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.
Pensions – valuation (IAS) 19	3,500	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.
PPE (Investment Property/Other Land and Buildings) Valuation	9,350	We have therefore engaged our own audit expert – Wilks Head and 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 Investment Property/Other Land and Buildings valuations. The increase includes an estimate for the fee payable to the auditor's expert. We estimate that the cost of the auditors expert will be in the region of £5000.
New Standards/Developments, Local Issues and Materiality	5,500	We note that PSAA's original scale fee for this Authority was set in March 2018, so new developments since that time need to be factored; including the lower materiality threshold.
Revised planning fee	**£118,701**	
Covid-19	19,580	Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes: • Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. • Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. • Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. • Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and are more involved at Bath and North East Somerset Council due to your significant levels of land and buildings and investment properties. In many instances the delays are caused by our inability to sit with an officer or valuer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.
Total proposed final audit fees	**£138,281**	

A. Reports issued and fees continued

Fees for non-audit services

Service	2019/20 Fees £	2018/19 Fees £
Audit related services Housing benefit grant claim audit	28,830	30,690
Non- Audit Related Services: Certification of Teachers' Pension Return	5,010	5,010

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. Reports issued and fees – Pension Fund

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

Audit fees	Proposed fee
Pension Fund scale fee	22,180
Additional proposed audit fee proposed at planning stage	4,250
Total proposed audit fees (excluding VAT) at planning	**£26,430**
Further additional fees proposed at completion	6,000
Total proposed audit fees (excluding VAT) on completion	**£32,430**
Audit of Pension Fund	

Reports issued

Report	Date issued
Audit Plan	19 February 2020 (addendum 7 May 2020)
Audit Findings Report	18 November 2020
Annual Audit Letter	8 March 2021

Audit fee variation

We confirm above our final fees charged for the audit and final reports issued.

The Avon Pension Fund Audit Plan presented in March 2020 included £4,250 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit, the raising of the bar by our regulator and the further work arising from local developments. This is reflected in the total proposed audit fees at planning above.

Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £6,000 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £32,430. Further details on the breakdown is provided on the next page.

This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

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

We have discussed and agreed these additional fees with the Director of Finance. Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

B. Reports issued and fees continued

Final proposed audit fees - The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	22,180	
Raising the bar	2,500	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.
Valuation of level 3 investments	1,750	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.
Revised planning fee	**£26,430**	
Covid-19	4,000	Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes: • Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. • Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. • Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. • Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.
Auditor's expert - Valuation	£2,000	As part of our audit work on investments we used, for the first time this year, our internal valuations team to provide assurance over the fair value of your derivatives.
Total proposed final audit fees	**£32,430**	

B. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services Provision of IAS 19 Assurances to Scheme Employer auditors	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.