



The Audit Findings for Cotswold District Council

Year ended 31 March 2020

18 November 2020



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cotswold District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for Those Charged with Governance (the Audit Committee).

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The main areas of impact for the Council have been reduced car park income, reduced planning income and increased expenditure in leisure services. In addition, the finance team have faced the challenge of compiling the financial statements with the team working remotely.</p> <p>Councils are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.</p>	<p>Our Audit Plan included an additional risk this year to reflect the impact of the pandemic on our audit approach. In the Audit Plan, presented to Audit Committee on 30 July 2020, we reported a financial statement's wide risk in respect of Covid-19 and also highlighted the impact on our VFM coverage in respect of the sustainable resource deployment risk. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to ensure we have gained sufficient audit evidence for the entries within the financial statements. This has meant a greater reliance on video calling for many aspects of the audit, particularly in terms of the use of sharing of screens to watch transaction listings being run. Where information is normally provided in a spreadsheet format, we have undertaken additional levels of testing to ensure that the information provided hasn't been manipulated prior to being sent to the audit team.</p> <p>We are pleased to report that this process has worked well with both teams collaborating to identify solutions to hurdles presented by remote working. Inevitably the remote working has impacted on delivery and additional resources have been necessary on both sides to complete the work in accordance with the new extended reporting timetable.</p>
Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>We delayed the start of our audit work due to an ethical issue. As a result, our planning did not commence until June 2020. We began our post-statements audit in September and as at 18 November 2020 our audit is approximately 85% complete. Our work to date has focused on the significant risks thus minimising the risk of additional significant issues arising between now and audit sign off. However, queries remain with the Council in respect of surplus assets and its categorisation and treatment in the accounts. Our findings to date are summarised on pages 5 to 17.</p> <p>Our work continues and the main issue arising to date, of a potentially material nature, is related to surplus assets. Discussions are ongoing but current indications are that this is likely to result in the need for both current period and prior period material adjustments. Further details are provided at page 8. No other material adjustments have been identified that impact on the Council's primary statements. We have recommended a small number of other adjustments to improve the presentation of the financial statements as detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Subject to completing our remaining audit procedures set out on page 5, receiving responses to our outstanding queries and having regard to any further national guidance, we anticipate issuing an unqualified audit opinion by the 30 November 2020 deadline.</p> <p>Our anticipated audit report opinion will be unqualified and include an Emphasis of Matter paragraph highlighting the material uncertainties disclosed in the financial statements in respect of land and buildings and investment properties as well as an Emphasis of Matter on the Council's share of the property assets held by the Gloucestershire Pension Fund.</p>

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cotswold District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for Those Charged with Governance (the Audit Committee).

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Cotswold District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion as detailed in Appendix E. Our findings are summarised on pages 18-21.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit. 	We have not exercised any of our additional statutory powers or duties.

Acknowledgements

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

Audit approach

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We communicated our Audit Plan to you on 30 July 2020, which included details of our response to the Covid-19 pandemic.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 26 November 2020.

These outstanding items include completing of testing and documentation of evidence for:

- completion of our work on surplus assets. This includes receipt of responses to our questions raised with the Council's valuer;
- receipt of evidence to complete our testing in the following areas: Investment properties, bad debt provision, government grants, capital commitments, debtors, creditors, MiRS, expenditure, housing benefit expenditure and capital finance regulations;
- receipt of management representation letter; and
- review of the final set of financial statements, annual governance statement and subsequent events review.

Our approach to materiality

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

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

	Council Amount (£)
Materiality for the financial statements	790,000
Performance materiality	553,000
Trivial matters	40,000
Materiality for Senior Officers Remuneration	4,000

Significant audit risks

Risks identified in our Audit Plan

Covid-19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. The draft financial statements were provided on 6 August 2020, marginally behind the date originally planned, but ahead of the national deadline;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations; and
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

Our audit work, to date, has not identified any significant issues in respect of Covid-19 specific risks. This is not to say that there has not been an impact. The Council have identified material uncertainties in relation to land and building and investment property valuations. The disclosure of these has been clarified in the revised financial statements following this auditor challenge.

Following receipt of the Pension Fund letter of assurance from Gloucestershire Pension Fund auditor, we have challenged the Council as to the need to disclose a material uncertainty in respect of the Council's share of the property assets held by the Gloucestershire Pension Fund. The Council intends to update its draft accounts to include a disclosure in respect of this material uncertainty.

The financial challenges into the medium term has also increased due to the lost income, additional costs and the uncertainty of future government funding in respect of Covid-19. This is discussed in more detail as part of our VFM work on pages 18-21.

Significant audit risks

Risks identified in our Audit Plan

Improper revenue recognition

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.

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Cotswold District Council, mean that all forms of fraud are seen as unacceptable.

We have reviewed material revenue transactions as part of our audit and we are satisfied that there have been no changes of circumstances requiring us to alter our proposed strategy with regards to revenue recognition in the latter part of the year.

Our audit work has not identified any issues in respect of improper revenue recognition.

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 made during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work, including our review of journal entries and the related control environment, has not identified any significant issues with regards to management override of controls.

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Valuation of land and buildings

The Authority 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 and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or 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, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated the assumptions made by the valuer for those assets revalued at 31 March 2020. For the assets not formally revalued in year we have assessed how management has satisfied themselves that these assets are not materially different to current value at year end.

At the time of writing this report our work on Property, Plant and Equipment remains in progress, particularly around surplus asset valuations. Initial discussions suggest that the Council's valuer has reduced the carrying value of a number of assets since the previous year. We have challenged the valuer on this to determine whether the prior year carrying values were correct. This challenge has highlighted further assets not revalued in 2019/20 which may be overstated in the financial statements. The assets in question are assets which the Council is leasing out or providing use of to third parties. As there are conditions attached to these arrangements, the valuer has determined that the values to be recognised by the Council are, in total, materially lower than the 2018/19 carrying values. The circumstances surrounding these arrangements have not changed from 2018/19 and this is likely to result in the need for a prior period adjustment. This is in addition to a current year adjustment for assets not revalued in year where similar conditions apply.

As highlighted previously in this report, we are intending to include an Emphasis of Matter paragraph in the audit opinion to reflect the uncertainty surrounding land and building valuations at year end. In line with RICS guidance, the valuer employed by the Council included a material uncertainty in their final valuation report. Officers reflected this in note E7 of the financial statements. 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.

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Valuation of investment property

The Authority revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statement date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4.8m) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of an external valuer to estimate the current value as at 31 March 2020.

We therefore identified valuation of investment properties, particularly revaluations as a significant risk, which was one of the most significant assessed risks of material misstatement

We have:

- 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;
- engaged our own expert to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation.
- written to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and evaluated the assumptions made by the valuer.

At the time of writing this report our work on investment properties remains in progress, with property income evidence outstanding.

As highlighted previously in this report, we are intending to include an Emphasis of Matter paragraph in the audit opinion to reflect the uncertainty surrounding investment property valuations at year end. In line with RICS guidance, the valuer employed by the Council included a material uncertainty in their final valuation report. Officers reflected this in note E7 of the financial statements. 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.

Significant audit risks

Risks identified in our Audit Plan

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 (£47,541k in the Authority's balance sheet at 31.3.19) 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 of material misstatement.

Auditor commentary

We have:

- 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 evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- 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;

We have received assurances from the auditor of Gloucestershire 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. Further detail on the assumptions are set out on page 13.

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 Gloucestershire County Council, there is a similar material uncertainty associated with the Council's pension net liability and a new disclosure is to be included with the Council's revised accounts. Our audit opinion will refer to this disclosure as an Emphasis of Matter.

Subject to confirming the additional disclosure in the revised accounts regarding the material uncertainty, our work in this area has not identified any other issues in respect of valuation of the net liability.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings - £68.359m	<p>Other land and buildings comprises c£68m of assets, which are required to be valued at either current market value or depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The Council has engaged the Valuer to complete the valuation of properties as at 31 March 2020. 56% of total assets by value were revalued during 2019/20.</p> <p>For the remaining assets not formally revalued an exercise is being undertaken to ensure that the carrying value is not materially different to the current value. The Council assessment is outstanding at this time.</p> <p>In line with RICS guidance, the Councils valuer has included a material valuation uncertainty in respect of the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. This has been reflected by management in the commentary is set out in note E7 of the financial statements.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure suitably qualified and independent, Assessed the completeness and accuracy of the underlying information used to determine the estimate, Confirmed there were no changes to valuation method, Assessed the consistency of the estimate against near neighbours and using the Gerald Eve report, and Assessed the adequacy of disclosure of the estimate in the financial statements. We are proposing to include an Emphasis of Matter paragraph in our audit opinion to draw the readers attention to the uncertainty disclosed within the financial statements. <p>Our work in this area remains in progress. We have assessed this estimate as overall amber due to the material uncertainty on the valuation of Land and Buildings set out in note E7.</p>	

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Investment Properties - £6.571m	<p>Investment properties comprises c£6.6m of assets, which are required to be valued at fair value.</p> <p>The Council has engaged the Valuer to complete the valuation of properties as at 31 March 2020. In line with the CIPFA Code, all investment properties were revalued during 2019/20.</p> <p>In line with RICS guidance, the Council's valuer has included a material valuation uncertainty in respect of the valuation of the Council's investment properties at 31 March 2020 as a result of Covid-19. This has been reflected by management in the commentary is set out in note E7 of the financial statements.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure suitably qualified and independent, Assessed the completeness and accuracy of the underlying information used to determine the estimate, Confirmed there were no changes to valuation method, Assessed the adequacy of disclosure of the estimate in the financial statements. We are proposing to include an Emphasis of Matter paragraph in our audit opinion to draw the readers attention to the uncertainty disclosed within the financial statements. <p>We concur with the Council's categorisation of these assets as investment properties, i.e. held for capital appreciation and/or revenue income generation.</p> <p>Our work in this area remains in progress. We have assessed this estimate as overall amber due to the material uncertainty on the valuation of Investment Properties set out in note E7.</p>	 Amber

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
Net pension liability – £40.047m	The Council's total net pension liability at 31 March 2020 is £40.047m (PY £47.541m). The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from the Gloucestershire County Pension Fund. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £7.494m decrease in the liability during 2019/20.	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure suitably qualified and independent, Assessed the actuary's roll forward approach taken, We have used PwC as auditors expert to assess actuary and assumptions made by actuary. The table below summarises where Cotswold District Council fall in the acceptable ranges set by PwC: 																									
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.30%</td> <td>2.30%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>1.90%</td> <td>1.80% - 2.00%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>2.20%</td> <td>Between CPI and RPI</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.4</td> <td>21.4 - 23.3</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.3</td> <td>24.6 – 26.3</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.30%	2.30%	●	Pension increase rate	1.90%	1.80% - 2.00%	●	Salary growth	2.20%	Between CPI and RPI	●	Life expectancy – Males currently aged 45 / 65	22.4	21.4 - 23.3	●	Life expectancy – Females currently aged 45 / 65	25.3	24.6 – 26.3	●	
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.30%	2.30%	●																								
Pension increase rate	1.90%	1.80% - 2.00%	●																								
Salary growth	2.20%	Between CPI and RPI	●																								
Life expectancy – Males currently aged 45 / 65	22.4	21.4 - 23.3	●																								
Life expectancy – Females currently aged 45 / 65	25.3	24.6 – 26.3	●																								

●
Green

Assessment

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

- We have gained assurance over the completeness and accuracy of the underlying information used to determine the estimate,
- We have gained assurance over the reasonableness of the Council's share of LGPS pension assets, and
- We have reviewed the adequacy of disclosure of the estimate in the financial statements and a new disclosure was included in the Council's revised accounts.

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 Cotswold District 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 will refer to this disclosure as an Emphasis of Matter.

Significant findings – going concern

Our responsibility

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

Going concern disclosures

It has been a challenging year due to the Covid-19 pandemic and officers have had to respond quickly to the impact that this has had on the finances of the Council. The potential impact of Covid-19 has been continually refined as further announcements have been made by central government and more funding being made available. The original 2020/21 budget has been revised to result in a shortfall of £3.787m. This is being met by additional government Covid-19 grant funding (£2.765m) and savings in the base budget (£0.586m) leaving an expected earmarked reserves release of £0.436m.

While this is a challenging situation, we agree with managements’ judgment that no additional disclosures are needed in relation to going concern, as there are in their judgement, no material uncertainties surrounding the Council’s adoption of the going concern assumption.

Going concern commentary

Management’s assessment process

Management have carried out a detailed assessment of the Council’s ability to continue as a going concern. This process included undertaking a detailed cash flow forecast through to March 2021 supported by a high level cash flow forecast through to 2021/22. As part of this assessment management have considered their general fund and earmarked reserves balances as well as their net current asset position on their balance sheet. Importantly management’s assessment has also considered the impact of the Covid-19 pandemic and the impact on income in the year to date.

Auditor commentary

- Going concern is defined as ‘the concept that the local authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations’
- The Council’s financial statements are prepared on a going concern basis on the grounds that budgets are in place and are being measured and managed to ensure that liabilities can be met as and when they fall due.
- A detailed budget for the Council is approved on an annual basis. Regular management reporting is produced for the senior leadership team and then reported to cabinet on at least a quarterly basis
- We have concluded that management’s process is adequate, and that the assessment is supported by robust assumptions.

Significant findings – going concern (continued)

Going concern commentary

Work performed

We have:

- discussed with management the financial standing of the Council;
- reviewed and challenged management's assessment of going concern assumptions and supporting information, e.g. medium term financial planning assumptions (including Covid-19 impact) and cash flow forecasts;
- reviewed budget gaps over the medium term as part of drawing our VFM conclusion.

Concluding comments

Following our review we are satisfied with management's assessment of use of going concern basis of accounting.

Auditor commentary

- The initial informing the risk assessment enquires of management provided in July 2020 and presented to the Audit Committee in July 2020 indicated that management were not aware of the existence of events and conditions that may cast doubt on the ability of the Council to continue as a going concern.
- In 2019/20, the Council are reporting an overspend against budget of £271k after transfers to reserves.
- Cash balances remain appropriate, and there is evidence that the Council has sufficient access to borrowing in the short term should this been needed.
- Our audit did not identify any events or conditions which may cast significant doubt on the going concern assumption.
- We have not identified any issues that would lead us to believe that there is a material uncertainty in the Council's assumption in preparing the financial statements on a going concern basis.

Auditor commentary

- We concur with the S151 Officer's view that there are no material uncertainties that would require disclosure under ISA570.
- On the basis of our work we propose to issue an unmodified opinion for 2019/20 in relation to going concern.
- Our audit work detailed in the VFM section of this report provides more commentary regarding the financial challenge faced by the Council and this is impacted by the Covid-19 pandemic.

Other matters for communication

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

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. This was included in the 'informing the audit risk assessment' report presented at the Audit Committee in July 2020. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All of the requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>No detailed work is required in this area as the Council is below the thresholds set by the NAO.</p>
Certification of the closure of the audit	<p>Once we have completed our submission for WGA we intend to certify the closure of the 2019/20 audit of Cotswold District Council in the audit report.</p>

Value for Money

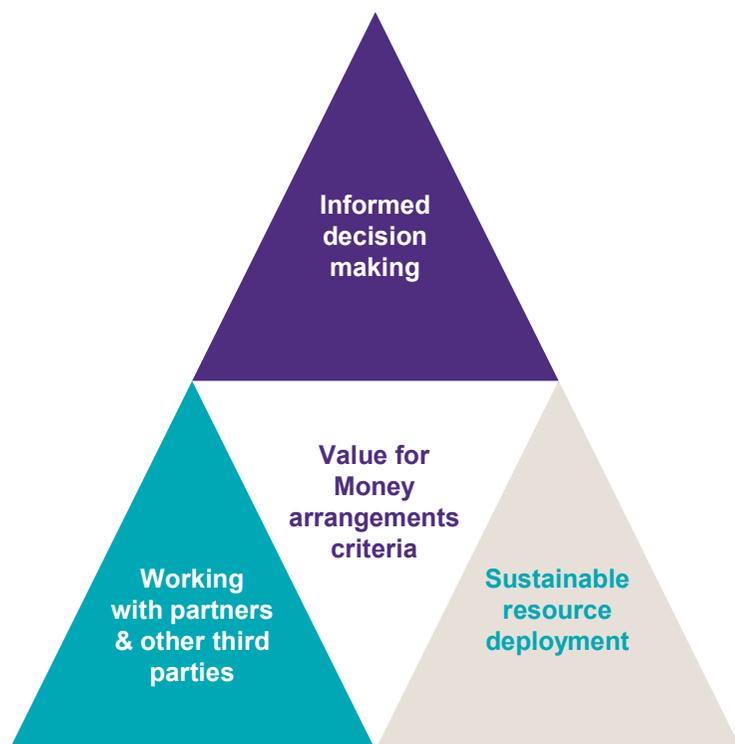
Background to our VFM approach

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

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

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

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



Risk assessment

We carried out an initial risk assessment in July 2020 and identified a significant risk in respect of future financial sustainability. We communicated this risk to you in our Audit Plan, presented to Audit Committee in July 2020.

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

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

Value for Money

Our work

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

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

- Financial outturn position and medium term financial plan;
- Arrangements for closing the budget gap; and
- Arrangements for responding to the impact of Covid-19 and the impact on financial planning.

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

Overall conclusion

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

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Value for Money

Key findings

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

In our Audit Plan, presented to Audit Committee in July 2020, we commented:

Financial Sustainability

Like many other similar local authorities, the financial outlook remains challenging. The latest MTFs shows a combined savings plan of £3.6m to balance the budget from 2020/21 to 2022/23. The impact of the Covid-19 lockdown on income generation compounded by additional costs of responding to the outbreak will place further strain on the Council's financial health.

Findings

Historically the Council has a strong track record of meeting its financial targets, and in a challenging year, the Council have delivered a deficit against budget of £0.271m. The Council ended the year with General Fund Reserves of £4.475m and General Fund Earmarked Reserves of £7.812m.

As set out in our Audit Plan the Council faced a significant financial challenge pre Covid-19. At that point the Council's Medium-Term Financial Strategy indicated required savings over the medium term of £3.6m. Whilst there were specific areas identified to make these savings, this has inevitably been impacted by Covid-19.

The global pandemic has exasperated the financial challenges faced by the Council. Although the outbreak had limited impact on 2019/20 it has serious consequences for 2020/21 and beyond. The projected lost income and increased costs, have to date only been partially offset by additional central government funding.

It is clear from our review that the Council's financial reporting arrangements are effective and the level of reporting has increased in response to the uncertainty presented by the virus. Despite the Council's good track record of delivering savings, delivering increase savings to plug any gap in the current climate will be challenging and the use of reserves and balances is not sustainable into the long term.

The longer-term impact of the virus is not yet known and there are likely to be significant impacts across the medium term. The Council's initial forecasts indicate that whilst the 2020/21 outturn will be impacted, and the original budget gaps remain these are likely to increase.

The pressures are expected to impact as follows

Service /Cost Driver £000	Income Changes £000	Expenditure Changes £000	Total £000
Forecast Covid-19 impact upon budget 2020/21	2,810	977	3,787
Government grant received/forecast	(1,533)	(1,232)	(2,765)
Net impact upon budget 2020/21	1,277	(255)	1,022
Savings in base budget	120	(706)	(586)
Net change in 2020/21 budget	1,397	(961)	436

Years 2021/22 and 2022/23 are therefore pivotal in achieving financial sustainability. Officers and Members recognise difficult decisions will need to be made to cut costs and deliver further savings. Saving schemes often have significant lead times and as such progress needs to be made to ensure the impact on the Council's reserves are minimised.

Value for Money

Findings continued

Investment Strategy

In common with other councils facing funding pressures, the Council has been looking at alternative forms of income and has recently approved a Recovery Investment Strategy to invest in infrastructure that serves to contribute to the Council's priorities as well as providing additional income to support services.

The Council is aware that there is greater inherent risk in such investments but also that there is a risk of doing nothing and adopting a purely low risk investment strategy. Prior to investment a full business case will be produced with input from appropriate expert advice and will explicitly set out the financial and operational benefits and the associated risks prior to proceeding. The Council should continue to review this strategy given the impact on returns on similar investments at other councils as a result of Covid-19.

The Council considers that these investments will provide wider benefits which help it meet its wider aspirations of the Council, such as economic regeneration, social housing or climate change and that they will not be acquired purely for capital appreciation and/or revenue generation. As a result underlying assets are likely to be classified as operational on the balance sheet rather than as investment assets and will therefore be valued at current value.

Auditor view

The Council should continue to keep its Recovery Investment Strategy under review to ensure the changing market makes such investment appropriate.

Conclusion

Based on the work completed we have concluded that the Council have adequate arrangements in place to deliver financial sustainability.

We have concluded that you had good arrangements in place to set a realistic and achievable budget for 2019/20.

We have concluded that the Council has responded appropriately to the impact of Covid-19 on its medium term financial planning. The Council recognises the inherent risk due to this and the combination of loss of income and increased costs compounded by greater expectation and continued austerity. Whilst balances and reserves are adequate any planned use of them in future budgets is not sustainable into the long term.

The financial years 20/21 and 21/22 will see perhaps the peak of the challenge with reduced levels of income, impact on savings, and uncertainty of funding. It is therefore business critical that officers and members take immediate action to identify further mitigations by way of reducing costs or increasing income. It is also crucial the medium-term financial plan is refreshed at the earliest opportunity.

Continued close in year monitoring and timely corrective action will be required to ensure budgets are delivered and service redesign with partners implemented.

Management response

The Council has approved a Recovery Investment Strategy which aims to increase income and reduce costs from our strategic service delivery partners. The Cabinet has considered a refresh of the Medium Term Financial Strategy and is currently consulting on the budget proposals for 2021/22 which includes proposals for increasing income from council tax and fees and charges. Council will consider the refreshed MTFs and Budget for 2021/22 in February. In September, the Council has approved a revised budget for 2020/21 this will enable meaningful budget monitoring to be provided for the remainder of 2020/21.

Independence and ethics

We disclosed in our Audit Plan, presented to Audit Committee in July 2020, that the previous audit manager was now employed by Publica. We detailed the safeguards agreed by our ethics function and can confirm that these have been followed throughout the audit with no issues to report.

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

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

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. There are no non-audit services provided to the Council.

Action plan

We have identified two recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 High	<p>It is clear that the Council has responded positively to the challenge presented by Covid-19 and are adequately monitoring and assessing the current and future impacts on the Council's finances, albeit it with an increased level of uncertainty. The financial years 20/21 and 21/22 will see perhaps the peak of the challenge with reduced levels of income, impact on savings, and uncertainty of funding. It is therefore business critical that officers and members take immediate action to identify further mitigations by way of reducing costs or increasing income. It is also crucial the medium-term financial plan is refreshed at the earliest opportunity.</p>	<p>We recommend that officers and Members take action in 2020 to reduce the current budget gaps over the medium term. We further recommend that the Council continue to refresh the medium-term financial plan to reflect the impact of Covid-19 as things develop and to ensure the financial challenge is fully known.</p> <p>Management response Agreed</p>
 Medium	<p>Our work identified a number of issues in relation to the valuation reports provided to the Council by the Internal Valuer.</p>	<p>The council should ensure that they read reports in full prior to inputting data to the financial statements.</p> <p>Management response Agreed</p>

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Cotswold District Council's 2018/19 financial statements, which resulted in two recommendations being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>As a result of changes to central government funding from 2020/21, the Council's MTFS identifies an additional savings requirement of £2m to 2022/23, including savings of £1m in 2020/21.</p> <p>There is a risk that further pressures will be placed on the Council's reserves if sufficient savings plans are not developed or achieved. To meet these additional financial challenges going forward, it is important that members work closely with officers to identify alternative income generation and cost savings measures to address the expected funding gap.</p>	<p>A contingency plan was put in place to address likely reductions to central government funding and an updated MTFS was produced during the year. So far, savings have been achieved as set in the budget.</p>
✓	<p>Our review of journal controls identified that the Deputy Section 151 Officer posted two accrual journals which were not subject to review or approval. We would expect these accruals to be authorised given his key role in preparing the financial statements.</p>	<p>We have not identified from our testing any cases of this during 2019/20. However the Council have noted that identifying journals processed by the Deputy S.151 Officer is manual and onerous so this recommendation can only be complied with as far as is reasonably practicable.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

At the time of writing this report there are no adjusted misstatements.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Financial Statements – Various	During the course of the audit a number of small disclosure amendments were made to the financial statements. These have not been reported separately due to their insignificant nature.	✓

Audit adjustments

Impact of unadjusted misstatements

There are no unadjusted misstatements at the time of writing.

Impact of prior year unadjusted misstatements

There are no prior year unadjusted misstatements.

Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£45,807	TBC
Total audit fees (excluding VAT)	£45,807	TBC

The Audit Plan presented to the Audit Committee in July 2020 included £7,250 in addition to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator. The Audit Plan also included £4,000 in addition to the scale fee for the use of an auditor's expert for property valuations. These are reflected in the proposed fee above. Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19. We are discussing with PSAA and Finance officers the impact that this may have on the final fee.

The fees reconcile to the financial statements as follows:

- fees per financial statements are £50,307 (note B7)
- additional charges in relation to 2018/19 paid in 2019/20 (£4,500)
- total fees per above £45,807

Draft audit opinion

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

Independent auditor's report to the members of Cotswold District Council Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

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

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

Conclusions relating to going concern

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

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

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

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

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings, investment properties and property investments

We draw attention to Note E7 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in Note E7 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

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

Draft audit opinion

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

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

Responsibilities of the Authority

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

Draft audit opinion

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

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

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

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

Report on other legal and regulatory requirements - Certificate

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

Use of our report

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

Peter Barber, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol
X November 2020



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