Grant Thornton

The Audit Findings for Coventry City Council

Year ended 31 March 2020

9 October 2023

Contents

Your key Grant Thornton team members are:

Mark Stocks
Key Audit Partner
T: 0121 232 5347
E: mark.c.stocks@uk.gt.com

Zak Francis
Senior Manager
T: 0121 232 5164
E: zak.francis@uk.gt.com

Thomas Woodhead
Manager
T: 0121 232 5268
E: thomas.a.woodhead@uk.gt.com

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.

1. Headlines

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

Financial Statements

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 group and Council's financial statements:

- give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local Council accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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.

Current status of audit

Our audit work has been completed on site/remotely over an extended period. We began our audit in July 2020 and completed our work in August 2023. The audit has been difficult for both ourselves and the Council. We reported our findings to the Council in November 2020 and November 2021. We provided a verbal update to the Council Audit Committee in January 2023.

We note that the financial statements presented for audit included material misstatements in both the Council's accounts and in the Group accounts. The resolution of these matters has taken a considerable amount of time and a significant level of additional resource from both ourselves and the Council. Enhanced quality control procedures will be needed by the Council in areas such as asset valuation and accounting and in group reporting if we are to avoid similar delays in the future. We note that there were no material errors in the Council's useable reserves but we consider that these were understated. Group useable reserves have been increased following the audit.

Despite these issues we are pleased to report that the audit is now complete subject to:

- finalising review of subsequent events and related disclosures
- receipt of management representation letter; and
- review of the final set of financial statements.

Audit opinion

Our anticipated audit report opinion will be unqualified but it will include a reference to the following matters:

- PPE valuation material uncertainties – the valuer indicated that due to Covid-19 that there were uncertainties in the accuracy of their valuation of land, buildings and investment property
- Pensions PPE valuation – as above the Pension funds valuer indicated that due to Covid-19 that there were uncertainties in the accuracy of their valuation of investment property .

Our commentary is not a qualification. It reflects the difficulty of valuing assets during the COVID 19 pandemic. This was common to all councils.

Our findings are summarised on pages 3 to 10. We have identified adjustments to the financial statements in both in year and prior year balances, the adjustments are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.

Key findings from the audit

We have identified a number of issues during the audit. This has resulted in significant restatements being made to the 2019/20 financial statements and prior period adjustments. In particular, we note that:

Council

2019/20 deficit on provision of services of £9.3m changed to a surplus of £44.0m; 2018/19 deficit on provision of services of £14.5m changed to a surplus of £3.4m

2019/20 and 2018/19 useable reserves – unadjusted errors of c£5.5m (understatement)

2019/20 unusable reserves increased from £202.6m to £368.1m; 2018/19 unusable reserves increased from £204.5m to £315.7m

2019/20 net assets increased from £346.7m to £512.3m; 2018/19 net assets increased from £336.0m to £447.2m.

Continued

1. Headlines

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

Financial Statements	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 group and Council's financial statements: • give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local Council accounting and prepared in accordance with the Local Audit and Accountability Act 2014. 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.	**Key findings from the audit** We also agreed the following changes to the group accounts: **Group** 2019/20 Group deficit changed from a £8.5m deficit to £71.0m surplus; 2018/19 Group deficit changed from a £7.2m deficit to a £1.5m surplus 2019/20 Useable Reserves increased from £144.2m to £160.6m; 2018/19 Useable reserves increased from £131.5m to £138.6m 2019/20 Unusable reserves increased from £157.9m to £373.9m; 2018/19 Unusable reserves increased from £160.9m to £291.8m 2019/20 Net assets increased from £302.0m to £534.5m; 2018/19 net assets increased from £292.4m to £430.4m. It is important to note that while these adjustments are material that the Council's useable reserve position has remained unchanged (but would improve by £5.5m if unadjusted errors are processed), and its Group useable reserves position has improved. The changes to the accounts are due to a number of factors but primarily these are asset valuation and group company accounting and valuation. We have summarised these below. **Valuation** Our audit work identified the following errors in land and property valuation: • We initially identified some errors in the valuation of assets in both the current and prior year accounts (2018/19 – "PY"). Errors included: incorrect inclusion of stamp duty (impact: decrease in PPE £2.4m); incorrect valuation inputs for schools (impact: increase in PPE £11.1m and PY: £13.5m), incorrect treatment of acquisition costs in investment property valuations (impact: increase in investment property PY £9.2m); not derecognising a waste disposal asset in the correct year (impact: decrease in PPE PY £1.2m); various other individually trivial amendments (impact: decrease in PPE PY £1.4m). The Council made both current year and prior period adjustments in relation to the above which resulted in: the 2018/19 accounts being restated to reflect an increase in investment property £9.2m and a net increase in PPE 11.0m; and the 2019/20 accounts being adjusted for a net increase in PPE of £8.7m and a decrease in Investments in joint ventures (JV's) of £2.0m. We also identified an error in the group PPE; the Council had not recognised the downward valuation of the Coventry and Solihull Waste Disposal Company (C&SWDC's) waste plant in the group accounts (impact: decrease in Investments in JVs £2.0m in 2019/20 and £2.7m at 18/19 closing/ £2.2m opening) • Land valuation - Management identified a small number of land assets which had been carried on balance sheet as surplus assets at low or nil value which in fact had significant fair values as they have been earmarked for housing development per the Coventry and Warwick Local Plans since 2017. Material corrections were required to the Council's single-entity and group balance sheets. In summary, the changes have led to an increase in the investment property balance brought forward as at 1/4/2018 of £83.604m, and in-year upward fair value adjustments of £5.086 for 2018/19 and £5.183m for 2019/20. As a result of these changes the Council now recognises £95.6m of investment properties previously held at a combined value of £1.9m. • Fairfax Street Leisure Centre - Fairfax Leisure Centre was a leisure centre situated in central Coventry, open for public use until closure in February 2020 when services were replaced by a new asset: The Wave. Until 2020/21, the asset was held within Other Land & Buildings, valued using Depreciated Replacement Cost methodology with a net book value of c.£18m at 31 March 2020. Following the closure of the centre to members of the public, the asset was re-categorised as a Surplus Asset in 2020/21 by the Council and was placed on the market for lease or sale. Following challenge by the audit team, it was identified that the Council had not appropriately accounted for the impact of the decision to close and the actual subsequent closure in the 2019/20 and prior year financial statements. The centre had only been partially in use during this period but this change had not been reflected. The main impact of this was a significantly shorter remaining useful life of the asset at 31 March 2020. The asset was revalued by the Council's external valuer using an accurate reflection of the remaining useful life and the partial closure of the asset resulting in a reduction in value of £16.9m at 1 April 2018, £16.2m at 31 March 2019 & £17.6m at 31 March 2020. Continued

1. Headlines

Financial Statements

Valuation continued

- Assets Valued under an “Insurance Rebuild” DRC Basis - During audit work on the valuation of Fairfax Leisure Centre, it was identified that the leisure centre had been previously valued using an insurance rebuild approach at 1 January 2018. An insurance rebuild valuation includes all costs to rebuild the existing facility, including a return for risk as well as full demolition. This valuation methodology is not consistent with RICS guidance pertaining to Depreciated Replacement Cost valuations. The Council identified a further 10 assets which had also been valued under this methodology with a combined total NBV of £57m at 31 March 2020. These assets have subsequently been revalued in line with RICS guidance resulting in an upwards revaluation adjustments of: a prior period adjustment to the opening balance at 1 April 2018 of £10.6m, a prior period adjustment to the closing balance at 31 March 2019 of £11.6m, and an adjustment to the closing balance at 31 March 2020 of £12.1m.
- Changes in Valuation Methodology - The Council engaged an external valuer, Wilks, Head & Eve, to perform PPE valuations in the year ended 31 March 2021, succeeding from the internal valuers at the Council in previous financial years. The external valuers highlighted five assets where they opted to value using a DRC approach deeming the assets as specialist, i.e. where there may not be an accurate market value. Upon review of previous valuations of these assets, it was identified that in prior years that the assets had been valued using rateable values of the property as a proxy in lieu of market rents. The engagement team deemed that this was not an appropriate approach to valuation of assets. The assets were subsequently revalued by Wilks, Head & Eve resulting in upwards revaluation adjustments of: a prior period adjustment to the opening balance at 1 April 2018 of £6.5m, a prior period adjustment to the closing balance at 31 March 2019 of £6.5m, and an adjustment to the closing balance at 31 March 2020 of £6.3m
- Errors in Non-Operational Asset Valuations - There were errors noted on 5 non-operational assets following a review of valuation movements from 2019/20 compared with 2020/21. These errors related to: inaccurate lease data used within the valuation, incomplete site size / not all units included in the valuation, incorrect reversionary rents used by the valuers. The errors led to: a prior period adjustment to the opening balance at 1 April 2018 of £3.8m; a prior period adjustment to the closing balance at 31 March 2019 of £6.4m, and an adjustment to the closing balance at 31 March 2020 of £8.3m.
- Historic cost depreciation - it was noted during the audit that accumulated depreciation was significantly higher than expectations, given the regularity of revaluation on PPE. Upon further investigation by the Council, a historic error dating back to the implementation of the Business World system (Agresso) in 2011/12 was identified where downward revaluation on PPE assets had been improperly accounted for. The accounts at the time treated the movements as impairments by decreasing the net book value of the assets through accelerated depreciation, instead of correctly reducing the gross book value of the assets. However, within the fixed asset register (FAR) these were correctly treated as a revaluation and the gross book value of assets and depreciation were reduced. The resulting impact of this was a difference between the FAR and the Council’s accounts. The difference in 2019/20 is a c.£380m equal and opposite overstatement in both gross book value and accumulated depreciation. We have discussed this with the Council and it is not possible to determine what the appropriate treatment was in 2011/12 (as records are not available). We have therefore agreed that it is appropriate to restate the financial statements to reflect the fixed asset register. This results in a c£380m adjustment to both gross asset values and gross depreciation. A PPA has also been actioned for this matter.
- Gains and losses on asset derecognitions – we identified that gains and losses on derecognition of assets was being charged to the net cost of services which is contrary to the CIPFA Code of Practice which instead requires the charge to be accounted for as ‘other operating expenditure’ on the CIES. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. In summary, the changes required were a movement of £13.602m from net cost of services to other operating expenditure in 19/20, and of £17.598m in 18/19.
- Derecognition of assets - When an item of property plant & equipment is derecognised, the gross cost and gross accumulated depreciation balances associated with that asset should be reversed. Previously the Council had made the net book value adjustment to gross cost only, meaning the gross cost and gross accumulated depreciation balances for other land and buildings and infrastructure assets brought and carried forward were overstated by a material amount. The error does not impact the net book value of affected assets, and therefore there is no correction to the balance sheet. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. In summary the cumulative adjustments led to a reduction in the gross cost and depreciation c/f at 31/3/20 of: £19.743m for infrastructure assets; and £9.209m for other land and buildings.

The areas detailed above have now been amended for by the Council.

1. Headlines

Financial Statements

Group

The key issues impacting on the financial statements are:

UKBIC – accounting for transactions in the Council's accounts

We identified a number of errors with regard to the accounting for UK BIC. The key changes to the Council's accounting treatment agreed with management are:

Council only - Building

- We concluded that the building, being subject to a 20-year peppercorn lease to UKBIC, should be retained on the Council's balance sheet (as the building will have an asset life beyond 20 years), and that the building is not an investment property (given the peppercorn rent charged). This change led to an increase in 'operational assets under construction' of £28.5m (b/f balance from 2018/19) and £31.8m (19/20 in-year additions). This is matched by a reversal of the 'Investment property assets under construction' of £7.8m in 2018/19 and £18.2m in 2019/20. There is also a £42.2m movement in the CIES to reflect the reversal of the downward investment property fair value movement previously accounted for.

Council only - Plant and equipment

- Plant & Equipment: The plant and equipment assets were being carried on the Council's balance sheet in 2018/19 as an asset under construction £6.015m. This was incorrect since those assets have individual useful economic lives of less than 20 years and are covered by a 20-year lease to UKBIC at a peppercorn rent. As such they should not be recognised on the Council's balance sheet as they are deemed to be a finance lease. An in-year correction had already been put through in 2019/20 as reflected in the draft accounts, and the 2019/20 accounting for further plant and equipment purchases was appropriate. Despite this not being a material issue on its own, when combined with other errors in relation to UKBIC accounting, management have elected to make a further prior period adjustment to remove the asset under construction balance in 2018/19. The corresponding adjustment is to the 2018/19 CIES with no impact on General Fund. Management therefore removed the initial 2019/20 CIES correction.

UKBIC – Group accounting – discussions over control of the entity

UKBIC Limited is a wholly owned subsidiary of the Council. We considered whether the Council had control of the company and concluded that the Council had control of the company. We discussed this with the Council and initially agreed that the Council had control of the company. Subsequently (Autumn 2022) the Council revisited this decision and confirmed that it did not consider that it had control over UKBIC. We considered the Council's arguments including holding an audit dispute panel. We reported to the Council that we still considered that the Council had control. In particular we noted that the grant funding body had stated that it did not consider that it had control of the Company and that the Company was entering into transactions outside of grant funding regime and therefore was acting as an independent entity to the grant funding body. The Council confirmed to us that it was now satisfied that it had control of the company.

We note that the company is entering into significant transactions. We have reported separately that the Council should ensure it has appropriate governance in place over the company.

1. Headlines

Group

UKBIC – Group accounting – accounting entries

In the 2018/19 audited accounts, the Council did not consolidate the accounts of UKBIC Limited into the group accounts, on the basis the company was not a significant component to the group, and there were no material financial statement line items. The Audit Team agreed the conclusion after corroborating UKBIC financials. This conclusion not to consolidate in 2018/19 stands.

The Council followed a similar approach for 2019/20. Following discussion the group position has been amended and now reflects the following:

- Building - The building is now accounted for on the Council's single entity balance sheet as an operational asset under construction (£60.3m). This is then consolidated into the group accounts at the same amount (historical cost) and classification. This is appropriate for the group position.
- Plant & Equipment - The plant and equipment assets were not material in 2018/19 (£6.0m) but were material in 2019/20 (cumulative £26.0m). The plant & equipment has been leased to UKBIC Limited on a lease term which exceeds the useful life of the assets. As such, under finance lease accounting, the assets are on the company's balance sheet and have been consolidated into the group accounts.
- Development costs - These were in effect monies granted to the company, which the company then spent on the capital project and so crystallise as fixed assets on the company balance sheet under IAS 16. The value was £0.6m in 2018/19 and £9.9m in 2019/20. The adjustment required was £6.7m being the £10.5m described less the plant and equipment balance already consolidated.
- REFCUS - The Net Cost of Service (REFCUS) spend £35.9m related to the plant & equipment and development costs is an intragroup transaction which is subject to elimination on consolidation. The capitalised company spend is then brought on to group balance sheet from the company balance sheet at the appropriate fixed asset classification and accounted for subsequently according to the Council's accounting policy for that asset category. The Council have determined the appropriate classification for both spend types is 'plant and equipment'. We consider this treatment to be appropriate. The amount carried on the group's balance sheet for plant and equipment is £34.6m at 31 March 2020.

Group

The key additional issues impacting the group financial statements are:

- Coombe Abbey Group valuation - The Council previously consolidated the Coombe Abbey hotel asset into its group balance sheet as an investment property. On review we identified that, for the group accounts, the hotel does not meet the criteria set out in IAS 40 to be held and valued as an investment property, since it is not held for the sole purpose of either generating rental income or capital appreciation. In addition, the Council identified further lease improvement assets held by the company, but not reflected on group balance sheet. Material adjustments were required to the classification and valuation of the assets as operational properties on the group balance sheet. In summary the accounts were adjusted as follows: other land and buildings increased by £28.2m at 1.4.18; £28.7m at 31.3.19 and £29.3m at 31.3.20; investment property was derecognised by £7.035m at 1.4.18, £7.333m at 31.3.19 and £7.8m at 31.3.20. We note that this is a significant increase in the valuation and that the Council, and its valuer consider that this is the most appropriate valuation. Given that the asset valuation significantly exceeds the valuation of the company (see below) we have requested that this matter is disclosed in the financial statements and that a letter of representation is provided on this matter.
- Coombe Abbey Investment valuation (Council accounts)- We note that the Council's subsidiary, Coombe Abbey, was operating at significant losses of £354,000 up to the year ending 31 March 2020. The impact of Covid-19 has had a further significant impact on the trading of the subsidiary. We note that the valuation has reduced from £7.3m in the 2019/20 accounts to £2.8m in the 2020/21 accounts.
- Coombe Abbey Goodwill- When revisiting previous accounting treatment, management noted that there was a goodwill element that had not been recognized (£3.6m) which has now been adjusted for. The engagement team have reviewed the calculation of goodwill & also challenged management regarding lack of subsequent impairment of balance. The engagement team are in agreement that no impairment of goodwill is required at this stage.
- continued

1. Headlines

Financial Statements

Group continued

The key additional issues impacting the group financial statements are:

- Coombe Abbey intragroup eliminations- When revisiting previous accounting treatment, management noted that some of the intragroup eliminations required adjusting between the Council and company. Consolidation adjustments were made to long term debtors £4.2m (18/19 closing: £4.6m, opening: £4.5m), intragroup costs £1.1m (18/19 £1.9m), and the loss on revaluation of the investment in the company £4.0m.
- Tom White Waste Goodwill- In March 2020 the Council purchased Tom White Waste Limited for £14.6m. The Council did not instruct a valuation as at the balance sheet date for its investment in Tom White Waste and therefore the asset was initially held at its purchase valuation. On acquisition of the Tom White Waste Limited, the Council should have recognised an intangible asset on the group balance sheet, representing the excess of the purchase price over the net assets within the acquired company on the transaction date. The balance of goodwill should then be assessed for impairment at each balance sheet date going forwards. In summary, the adjustment required was to recognise £7.806m of intangible assets on group balance sheet as at 31 March 2020, with a corresponding credit to group unusable reserves.
- Tom White Waste- acquisition costs of £10.7m were incorrectly netting down the gain/loss on revaluations of investments. Management have adjusted.
- Birmingham Airport investment valuation (Council accounts)- We note that the Council has an investment in Birmingham Airport. The trading conditions for the Airport were uncertain during the COVID 19 pandemic and we note that the valuation of the Council's investment reduced from £29.3m in 2018/19 to £17.9m in 2019/20. The Council alongside the other 6 West Midlands authorities stated in 2020 its intention to engage in discussion with the Airport with regards to providing tangible support to the Airport should this be required. No investment was subsequently made but the Council did put in place a cashflow loan arrangement to ensure that financial covenants were not breached. We understand that ultimately these arrangements were not required. The Council has made additional disclosure on these matters in note 3.36 to the accounts. We note that the investment has now recovered its previous 2018/19 value with the latest valuation as at 31 March 2023 reporting £33m. .
- The Coventry and Solihull Waste Disposal Company – incorrect calculation of the investment in joint ventures- the initial consideration paid for the acquisition was not reflected in the value of the investment on group balance sheet. Adjustments were made to increase the balance by £9.6m in 19/20 and £9.95m in both the 2018/19 opening and closing positions.
- UKBIC- elimination of intragroup expenditure previously consolidated. The expenditure incurred by the company was originally consolidated as group expenditure. This related to capital spend which is now carried on the group balance sheet. An adjustment of £6.8m was required to the group CIES to remove the cost.
- UKBIC- intangible assets - aligning the company's accounting policy with the group accounting policy. The Council adopts the policy to write down the costs of intangible software assets in year of purchase rather than carry them on balance sheet. The group balance sheet should be prepared on the same basis. An adjustment to write out the intangible assets of £1.7m was required.
- Friargate JVPL- acquisition costs of £10.5m in 2018/19 were incorrectly netting down the gain/loss on revaluations of investments. Management have adjusted.
- Intragroup dividends from CSWDC and CAPL were not eliminated on consolidation in 2018/19, an adjustment of £7.5m was required to group CIES.
- Share of other comprehensive income of joint ventures- given the numerous amendments to group entries, the share was recalculated and a decrease of £8.2m was adjusted for on group CIES (£3.0m in 2018/19).
- Group Reserves- We identified that the Council had not split the reserves from its group companies between useable and unusable. Rather it had classed all of the reserves as unusable. The Council has now reviewed its group reserves and reallocated them between useable and unusable. The balance of usable reserves was £16.4m at 31 March 2020; £7.0m at 31 March 2019 and £5.6m at 1 April 2018. These revised balances taken account of other movements in the council and group accounts.

1. Headlines

Financial Statements

Infrastructure

The Code requires infrastructure assets to be valued at depreciated historical cost. It also requires that where a component of an asset is replaced, the carrying amount (i.e. net book value) of the old component is derecognised to avoid double counting. Most local authorities have been unable to comply with the requirement to assess the net book value of the replaced component and will therefore have treated the amount of the replaced component as zero. This is because the replaced component is considered to have been fully used up at the point that it is replaced. However, there is often a lack of evidence to support this assumption and some subsequent expenditure is often in addition to the previous asset rather than being a direct replacement.

The Department for Levelling Up, Housing and Communities (DLUCH) therefore prepared a temporary statutory override with regards to infrastructure assets, whilst a permanent solution is developed by CIPFA. This statutory override was effective from late December 2022 and may be applied to the 2019/20 accounts. In parallel to this, CIPFA has revised the Code so that it reflects this temporary statutory override. After this was complete, we developed an audit work programme to make an assessment of whether there could be a material risk of misstatement for the Council. With respect to the financial statements, there are two risks which have addressed:

1. The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.

2. The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of infrastructure assets is overstated. It will be overstated if management do not derecognise components of infrastructure when they are replaced.

Our work in this area is complete and we are satisfied that the disclosure of infrastructure assets is in accordance with the revised Code and statutory instrument.

Other matters

In 2018/19 the Council applied the fair value through other comprehensive income (FVOCI) designation to investments in collective investment vehicles such as the CCLA Property Fund. We do not consider that investments in collective investment vehicles qualify for the election under IFRS 9 to be designated as (FVOCI). The Council have revised their accounting treatment with any movement on the valuation of the funds now shown as Fair Value Through Profit and Loss (FVTPL). There is no impact on the overall position of the General Fund for 2018/19 or 2019/20.

The Business Rates provision has increased in 2019/20. To date the Council has only had a low level of appeals against the 2017 valuation listing. There has been a £7.8m net reduction in liability between initial billing and the position as at 31/3/20 for years relevant to the 2017 valuation listing. In forming its estimate the Council has used its claims history dating back to 2007-08. In forming its estimate the Council has used its history of liability movements during the previous revaluation cycle (2010 to 2017). We note that the average appeals rate from 2007-08 was 6%. We note that the average liability movement between 2010 to 2017 was 4.8%. This compares to an average appeals rate of 4% between 2013-14 to 2016-17. We estimate that if the Council used the lower rate that the provision would be c.£7.5m and that the provision is overstated by c£2.9m. The Council have confirmed that as at April 2023 a total of £9.4m of the provision has been utilised. The Council should continue to monitor the provision and release any unneeded balance.

We reviewed the bad debt provision with regard to other debtors. This comprised £11.2m for local taxation and £14.0m for all other bodies. The Council provided an update on the latest position in April 2023 and noted that £1.4m had been released from the local taxation position and that the Housing Benefit provision is slightly overstated c£1.2m. No significant changes have been made to the other provisions.

The Council applies a £5,000 threshold for its consideration of accruals. We identified 3 expenditure items below the threshold of £5,000 that had been posted to periods 1,4 & 7 of 2019/20 when they related to 2018/19 expenditure. We are satisfied that the Council have applied its de minimis policy, however, on the basis of the sample tested we identified an extrapolated error of c.£5m re expenditure not being charged to the correct period. While this is not material the Council should note the potential impact of its accruals de minimis policy.

1. Headlines

Financial Statements

Control matters

The financial framework for reporting local government accounts is complex requiring the Council to account under both IFRS and on a resource accounting basis. Since 2020 there has also been a significant change in auditing standards. In particular, ISA 540 Auditing was introduced requiring additional emphasis on significant estimates including valuations and pensions. The audit of the 2019-20 financial statements has been undertaken to a greater depth than in prior years.

The Council's accounts are more complex than most councils due to its significant group structure. This increased complexity has been challenging for the Council and for ourselves as auditors. In particularly, the accounting for UKBIC has been complex and the subject of a significant level of debate.

2020 was a year when the country was particularly impacted by COVID 19. This impacted on the ability of councils to produce financial statements and on valuers to undertake their work. At most councils this impacted on the quality and depth of valuation. Discussions with officers have indicated that this impacted significantly on the Council's processes.

We also note that our audit has taken place over a considerable period. During this period national issues have arisen such as how to value infrastructure assets.

The above issues have impacted on the quality of accounts presented for audit, the time taken to resolve accounting issues, and the length of the audit. Within this context we note the following areas for improvement:

- Group - the issues with regard to group accounts and resultant delays in the audit sign-off partially came about because the Council did not have adequate capacity within its finance team to fully understand the accounting implications of its relationship with the UKBIC subsidiary and its other subsidiaries. We recommended in 2021 that management should strengthen the capacity within its finance team and implement standardised practices and procedures to appropriately account for the impact of the evolving activity within the group. Including, but not limited to: issuing group instructions for year-end reporting; recording group transactions and balances on ledger; maintaining a fixed asset register for group PPE; adopting a suitable valuation schedule and engaging experts to provide valuations for group property and for the valuation of the long term investments in companies. We also recommended that management harmonise its year-end reporting dates and accounting frameworks of its subsidiaries and joint ventures and establish an agreed-upon reporting structure and timetable with those bodies to ensure timely receipt of required information. We note that the Council have now appointed a full-time group accountant.

- Property - we do not consider that the Council's arrangements for the valuation of and accounting for its property have fully complied with RICs guidance or the CIPFA Code of Practice on Local Authority Accounting. We have made recommendations with regard to the improvements needed. Management have implemented some of our recommendations already and are in the process of undertaking a wider review of valuations.

- Journals - Our assessment of the Council's journal control environment identified that journals posted do not have to be authorised and the Council rely on access control and budgetary control to prevent and identify any unusual journals. We see this as a weakness in the control environment. The testing of journals has not identified any instances of management override of control.

- Business World – Superuser Access - During the IT audit performed within the year ended 31 March 2022, it was identified that three users had privileged, administrative access to the accounting software - Unit4 Business World. Through further investigation by the engagement team and with discussions with the Systems Team at the Council, it was identified that these users were able to circumvent controls within the Business World system. An area of particular concern was that these users were able to bypass controls around the payment of suppliers. It was concluded that there was opportunity for extractive fraud at the Council by members of the Systems Team. It should be noted that there was no indication of fraud, but rather the potential for this.

An amendment log is held in the system which record any changes to the Business World system (and which would record any inappropriate change). We reviewed this log for the year ended 31 March 2020 and subsequent years. There was no indication of fraudulent behaviour within these logs. It is recommended that the Council identify any additional safeguards in the accounting system or reduce the levels of access of these individuals to an acceptable level.

Conclusion

The audit has been a lengthy one and has identified a number of issues for the Council to resolve in future accounts. Subject to the completion of our final closing procedures we anticipate issuing an unqualified opinion in October 2023. As set out earlier our opinion will include a commentary with regard to valuation uncertainty. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.

We note that this has been an equally difficult process for management and would like to replace on record our thanks to the finance team for their work throughout the audit.

1. Headlines – Other matters

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

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk-based review of the Council's value for money arrangements. We have concluded that Coventry City Council, with the exception of its arrangements for financial reporting, has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We will issue a qualified value for money conclusion with regard to the Council's financial reporting arrangements. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing a qualified value for money conclusion. Our findings are summarised on pages 43 to 48.
Going Concern	The Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020) sets out guidance relating to the assessment of local authorities' status as going concern. CIPFA Code of Practice 2019/20 Code para 3.4.2.23 states "Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future".	We have reconsidered the work we documented in our Audit Findings Report on management's going concern assumption and updated our consideration in light of the Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that for the Council and its subsidiaries that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • 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 considered the use of our statutory powers due to the delay in the 2019/20 financial statements. Officers have set out a clear plan to ensure that the outstanding accounts for future years are completed in as timely a manner as possible. As such we have determined that it is not necessary to utilise our statutory powers. We will monitor the implementation of the plan and will consider at future audits whether we need to utilise our statutory powers. We are not required to issue a whole of government accounts (WGA) return as the NAO has closed the Government's accounts for 2019/20.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during this extended audit.

2. Financial statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that specified audit procedures were required by for
  - Coventry and Solihull Waste Disposal Company – audited by Ernst and Young LLP
  - Tom White Waste Ltd - audited by Azets UK
  - Coombe Abbey Ltd – audit by RSM UK Audit LLP
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 29 April 2020, to reflect our response to the Covid-19 pandemic. We have also altered our plan in response to the issues identified on asset valuation, group reporting, and IT control. In particular, we identified that UKBIC was material to the Council's single entity and group accounts. We have undertaken a significant level of work in this area.

We note that the financial statements presented for audit included material misstatements in both the Council's accounts and in the Group accounts. The resolution of these matters has taken a considerable amount of time and a significant level of additional resource from both ourselves and the Council. Enhanced quality control procedures will be needed by the Council in areas such as asset valuation and accounting, and group reporting if we are to avoid similar delays in the future.

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 Committee meeting on 9 October 2023. These outstanding items are:

- finalising review of subsequent events and related disclosures
- receipt of management representation letter; and
- review of the final set of financial statements.

2. Financial Statements

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.

We have reconsidered our materiality assessment in the period since our Audit Findings Report was published. We have concluded that materiality levels remain appropriate as reported in our Audit Findings Report on 30 November 2020. We concluded this as:

- The use of this level of materiality has been sufficient to identify errors in both the Council's single entity and group accounts
- Where we have identified errors we have considered the potential impact on similar balances and carried out additional testing as needed.

We detail in the table to the right our determination of materiality for Coventry City Council

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	12,600,000	12,400,000	Materiality is determined to be in the region of 1.5% of gross expenditure.
Performance materiality	9,450,000	9,300,000	We have assessed that performance materiality at 75% of materiality is appropriate.
Trivial matters	600,000	600,000	We determined the trivial threshold for reporting matters to the Audit and Procurement Committee to be 5% of materiality.
Materiality for Senior Officer Remuneration	Not applicable	100,000	We believe these disclosures are of specific interest to users of the accounts and therefore applied a lower specific materiality.

3. Financial statements - Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19 (Group and Council)	**Work undertaken** 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. No changes were made to materiality levels previously reported. The draft financial statements were provided on 26 June 2020 • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the groups' 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 for asset valuation **Audit findings** Due to the extended period over which the audit has been undertaken we no longer consider this to be a significant risk with the exception that: • PPE valuation material uncertainties – the valuer has indicated that due to Covid-19 that there are uncertainties in the accuracy of their valuation of land, buildings and investment property • Pensions PPE valuation – as above the Pension funds valuer has indicated that due to Covid-19 that there are uncertainties in the accuracy of their valuation of investment property . Our opinion will include a commentary with regard to this uncertainty.

3. Financial statement - Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Management override of controls (Group and Council)	**Work undertaken** We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined 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 • Reviewed key estimates on areas such as property and land, and pensions • Considered the superuser access to IT controls. **Audit findings** Journals - Our assessment of the Council's journal control environment has found that journals posted do not have to be authorised and the Council rely on access control and budgetary control to prevent and identify any unusual journals. We see this as a weakness in the control environment and this was factored into our substantive testing of journals. The testing of journals has not identified any instances of management override of control. Accounting policies and estimates - We have reviewed the application of a number of accounting policies and estimates as part of our audit procedures and have not identified any instances of management override of control. • On accounting policies we note that the Council applies a £5,000 threshold for its consideration of accruals. We identified 3 expenditure items below the threshold of £5,000 that had been posted to periods 1,4 & 7 of 2019/20 when they related to 2018/19 expenditure. We are satisfied that the Council have applied it de minimis policy, however, on the basis of the sample tested we identified an extrapolated error of c.£5m re potential expenditure omitted from the accounts. While this is not material the Council should note the potential impact of its accruals de minimis policy. • On accounting estimates we identified material errors with regard to the valuation of the Council's asset base. We have raised a number of recommendations with regard to the improvement required. Business World – Superuser Access - During the IT audit performed within the year ended 31 March 2022, it was identified that three users had privileged, administrative access to the accounting software - Unit4 Business World. Through further investigation by the engagement team and with discussions with the Systems Team at the Council, it was identified that these users were able to circumvent controls within the Business World system. An area of particular concern was that these users were able to bypass controls around the payment of suppliers. It was concluded that there was opportunity for extractive fraud at the Council by members of the Systems Team. It should be noted that there was no indication of fraud, but rather the potential for this. An amendment log is held in the system which record any changes to the Business World system (and which would record any inappropriate change). We reviewed this log for the year ended 31 March 2020 and subsequent years. There was no indication of fraudulent behaviour noted within these logs. It is recommended that the Council identify and implement ways to mitigate the risk of fraudulent behaviour by adding additional safeguards in the accounting system, or reducing the levels of access of these individuals to an acceptable level.

3. Financial statements - Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of Other land and buildings	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 used by the Council • corresponded with 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 • engaged our own valuer Montagu Evans to assess the instructions to the Council's valuer, 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 and group 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. Our audit testing has identified that there were a number of assets in 2018/19 and in 2019/20 that were not valued or accounted for correctly and as a result the Council have relooked at these valuations and made prior period and in year adjustment. See pages 27 to 32 and appendix B for more details. As reported on page 3 we will include a commentary in our audit opinion as a result of the material uncertainty reported in the asset valuation report as at 31 March 2020.
Valuation of Investment Properties	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 • corresponded with 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 • engaged our own valuer to assess the instructions to the Council's valuer, 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 and group 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. Our audit testing has identified that there were a number of assets in 2018/19 and in 2019/20 were not valued correctly and as a result the Council have relooked at these valuations and made prior period adjustment. See page 33 and appendix B for more details. See page 33, as in prior years, we have reported the Council's approach to the valuation of investment properties, which is not fully compliant with IAS 40 and the CIPFA code.

3. Financial statements - Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability	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 evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of West Midlands 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. See page 36 for significant findings on key estimates and judgements. As reported on page 3 we will include a commentary in our audit opinion as a result of the material uncertainty reported in the West Midlands Pension Fund financial statements for the year ending 31 March 2020.
Improper revenue recognition (Group and Council)	We rebutted the risk of improper revenue recognition for all revenue streams for the Council and the Group in the audit plan and our assessment has not changed during the course of the audit.

4. Financial statements - Significant findings arising from the group audit

Risks identified in our Audit Plan	Auditor commentary
Group – Key audit findings	Our work on the Group financial statements identified a number of accounting issues for which material adjustments were required to the Group and Council's financial statements. These have resulted in a number of changes including: 2019/20 Group deficit changed from a £8.5m deficit to £71.8m surplus; 2018/19 Group deficit changed from a £7.2m deficit to a £1.5m surplus 2019/20 Useable Reserves increased from £144.2m to £160.6m; 2018/19 Useable reserves increased from £131.5m to £138.6m 2019/20 Unusable reserves increased from £157.9m to £373.9m; 2018/19 Unusable reserves increased from £160.9m to £291.8m 2019/20 net assets increased from £302.0m to £534.5m; 2018/19 net assets increased from £292.4m to £430.5m.. At a group level the primary movements relate to changes in accounting for UK BIC and changes in the valuation of Coombe Abbey. The group figures are also impacted by the changes in land and property valuation for the Council. There were further errors identified in the group accounting in relation to the split of usable and unusable reserves; goodwill calculations on the acquisitions of Coombe Abbey and Tom White Waste; intragroup eliminations; costs of investments incorrectly netting down the gain/loss on revaluation of financial instruments; and the valuation of the investment in Joint Ventures. More detail on our audit of the group financial statements are set out on the following pages.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
UKBIC Limited accounting treatment and prior period adjustment (Council and Group Accounts)	Material corrections were required to the Council's single-entity accounts to recognise the current value of the battery plant as an operational asset-under-construction on balance sheet and to account for the monies granted to the company for capital development through the Comprehensive Income and Expenditure Statement with associated adjustments to reserves to reflect the capital funding. Material corrections were required to the Group accounts to recognise the value of equipment and capitalised development costs held by the group on the group balance sheet, and to consolidate (with appropriate adjustments) the impact of the single-entity changes above . Corrections were required to the corresponding accounts in the prior period. As the prior period changes required were material, these were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	**UKBIC – accounting for transactions in the Council's accounts** We have considered management's adjusted accounting treatment and examined supporting evidence. We agree that the adjusted accounting treatment is in accordance with relevant accounting standards and statute in all material respects. The key changes to the Council's accounting treatment are: Council only - Building - We concluded that the building, being subject to a 20-year peppercorn lease to UKBIC, should be retained on the Council's balance sheet under IAS 17 operating lease accounting, since the UEL of the building is reasonably expected to be far greater than the 20-year lease term. The building should not however be classified as an "investment property asset under construction", given it does not meet the conditions for investment property recognition under IAS40 and Code (4.4.1.1 and 4.4.1.2). The asset is not held solely for capital appreciation nor rental income. - This change led to an increase in 'operational assets under construction' of £28.5m (in 2018/19) and £60.3m (including 19/20 in-year additions). This is matched by a reversal of the 'Investment property assets under construction' of £28.5m in 2018/19 and £18.2m in 2019/20. The difference between the £60.3m asset in the final accounts and the £18.2m asset in the draft accounts is due to a downward fair value movement (£42.1m) which the Council had originally charged to the CIES. This has now been reversed because operational assets under construction are measured at depreciated historical cost and not at fair value. Council only - Plant and equipment - Plant & Equipment: The plant and equipment assets were being carried on the Council's balance sheet in 2018/19 as an asset under construction £6.015m. This was incorrect since those assets have individual useful economic lives of less than 20 years and are covered by a 20-year lease to UKBIC at a peppercorn rent. As such they should not be recognised on the Council's balance sheet. - An in-year correction had already been put through in 2019/20 as reflected in the draft accounts, and the 2019/20 accounting for further plant and equipment purchases was appropriate. Despite this not being a material issue on its own, when combined with other errors in relation to UKBIC accounting, management have elected to make a prior period adjustment to remove the asset under construction balance in 2018/19. The corresponding adjustment is to the 2018/19 CIES with no impact on General Fund (via REFCUS). Management therefore removed the initial 2019/20 CIES correction. Council only – Grant Income - We are satisfied that the Council is correctly accounting for the grant monies as principal rather than agent. The audit team have concluded the grant income is already appropriately applied in the 2018/19 audited accounts and recognised in the CIES as taxation and non-specific grant income- value £28.839m.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
UKBIC Limited accounting treatment and prior period adjustment (Council and Group Accounts)	Material corrections were required to the Council's single-entity accounts to recognise the current value of the battery plant as an operational asset-under-construction on balance sheet and to account for the monies granted to the company for capital development through the Comprehensive Income and Expenditure Statement with associated adjustments to reserves to reflect the capital funding. Material corrections were required to the Group accounts to recognise the value of equipment and capitalised development costs held by the group on the group balance sheet, and to consolidate (with appropriate adjustments) the impact of the single-entity changes above . Corrections were required to the corresponding accounts in the prior period. As the prior period changes required were material, these were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	**UKBIC – Group accounting – discussions over control of the entity** Group Assessment: UKBIC Limited is a wholly owned subsidiary of the Council. We considered whether the Council has control of the company, given the directive, funding and oversight of Central Government, and given there are restrictions in place on the Council's powers to take dividends, and to sell or close the business. The audit team challenged the Council on these points, and the Council initially provided the following arguments as to why it is considered that the Council has control: • UKBIC is subject to Standard Articles of Association. • 2 of the board members including the chair are appointees of the City Council and the Council is the 100% shareholder. • This all ensures that the Council has control and is the parent entity. • The Grant Aid agreement has been drawn up in a way that makes sure that the grant is applied. • The restrictions on dividends exist to ensure compliance with state aid. • These conditions and restrictions do not imply Government control. We accepted the conclusion that the Council has control of UKBIC Limited given the company structure in place and 100% Council shareholding. Subsequently (Autumn 2022) the Council revisited this decision and confirmed that it did not consider that it had control over UKBIC. It highlighted a number of factors including: • Innovate UK's charge over the assets • Innovate UK's control of asset disposal • Requirement to set up an operator • Requirement that this operator must be a non-profit research organisation • Requirement to inform, cooperate and comply with requests from Innovate UK, including updating key milestones • The associated grant agreement includes the following aspects: A requirement to obtain approval from Innovate UK for UKBIC Ltd's business plan, Innovate UK will provide the KPIs for UKBIC Ltd's operations, and in-depth ongoing monitoring by Innovate UK with options for escalating the extent of monitoring, if required • The lack of other income sources for the company. We considered the Council's arguments including holding an audit dispute panel. We reported to the Council that we still considered that the Council had control and reconfirmed the matters set out above. In particular we noted that the grant funding body had stated that it did not consider that it had control of the Company and that the Company was entering into transactions outside of grant funding regime and therefore was acting as an independent entity to the grant funding body. The Council concurred with our conclusion and made the decision to consolidate the company. We note that the Company is entering into significant transactions. We have reported separately that the Council should ensure it has appropriate governance in place over the company.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
UKBIC Limited accounting treatment and prior period adjustment (Council and Group Accounts)	Material corrections were required to the Council's single-entity accounts to recognise the current value of the battery plant as an operational asset-under-construction on balance sheet and to account for the monies granted to the company for capital development through the Comprehensive Income and Expenditure Statement with associated adjustments to reserves to reflect the capital funding. Material corrections were required to the Group accounts to recognise the value of equipment and capitalised development costs held by the group on the group balance sheet, and to consolidate (with appropriate adjustments) the impact of the single-entity changes above . Corrections were required to the corresponding accounts in the prior period. As the prior period changes required were material, these were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	**UKBIC – Group accounting – accounting entries** In the 2018/19 audited accounts, the Council did not consolidate the accounts of UKBIC Limited into the group accounts, on the basis the company is not a significant component to the group, and there were no material financial statement line items. The Audit Team agreed the conclusion after corroborating UKBIC financials. This conclusion not to consolidate stands, as even with £6.0m plant and equipment not brought on to group balance sheet, there are no material financial statement line items. The Council followed a similar approach for 2019/20. Following discussion, the group position has been amended and now reflects the following: Building The building is now accounted for on the Council's single entity balance sheet as an operational asset under construction (£60.3m, 2018/19: £22.5m). This is then consolidated into the group accounts at the same amount (historical cost) and classification. This is appropriate for the group position. Plant & Equipment The plant and equipment assets were not material in 2018/19 (£6.0m plant and equipment) but were material in 2019/20 (cumulative £26.0m). Since the plant & equipment has been leased to UKBIC Limited on a lease term which exceeds the useful life of the assets, under IFRS (specifically IAS 17 finance lease accounting), the assets are on the company's balance sheet for the purposes of consolidation. The NCoS (REFCUS) spend £35.9m is an intragroup transaction which is subject to elimination on consolidation. This is because the Council are granting the monies (recognised as a cost) to the company (recognised as income). The plant & equipment is then brought on to group balance sheet from the company balance sheet at depreciated historical cost. Depreciation is chargeable on the assets acquired in the prior year as per the Council's accounting policy. Development costs These were in effect monies granted to the company, which the company then spent on the capital project and so crystallise as fixed assets on the company balance sheet under IAS 16. The related NCoS (REFCUS) spend is an intragroup transaction which is subject to elimination on consolidation. The capitalised company spend is then brought on to group balance sheet from the company balance sheet at the appropriate fixed asset classification and accounted for subsequently according to the Council's accounting policy for that asset category. The Council have determined the appropriate classification for the spend is 'plant and equipment'. Depreciation is chargeable on the assets acquired in the prior year as per the Council's accounting policy but this is trivial so remains unadjusted. Audit Conclusion on group accounting The Council's proposed accounting treatment is in line with the Audit Team's conclusions, with the exception that: - the Council proposes no depreciation to be charged on the 2018/19 acquired plant and equipment (gross cost £6.0m). Estimate £300k so trivial. - The Council is required to undertake a line-by-line consolidation of its material subsidiaries. This has now been carried out for UKBIC for 2019/20 with adjustments set out in Appendix B.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
UKBIC Limited accounting treatment and prior period adjustment (Council and Group Accounts)	Material corrections were required to the Council's single-entity accounts to recognise the current value of the battery plant as an operational asset-under-construction on balance sheet and to account for the monies granted to the company for capital development through the Comprehensive Income and Expenditure Statement with associated adjustments to reserves to reflect the capital funding. Material corrections were required to the Group accounts to recognise the value of equipment and capitalised development costs held by the group on the group balance sheet, and to consolidate (with appropriate adjustments) the impact of the single-entity changes above . Corrections were required to the corresponding accounts in the prior period. As the prior period changes required were material, these were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	<u>Control deficiency</u> The issues with regard to group accounts and resultant delays in the audit sign-off partially came about because the Council did not have adequate capacity within its finance team to fully understand the accounting implications of its relationship with the UKBIC subsidiary and its other subsidiaries. We recommended in 2021 that management should strengthen the capacity within its finance team and implement standardised practices and procedures to appropriately account for the impact of the evolving activity within the group. Including, but not limited to: issuing group instructions for year-end reporting; recording group transactions and balances on ledger; maintaining a fixed asset register for group PPE; adopting a suitable valuation schedule and engaging experts to provide valuations for group property and for the valuation of the long term investments in companies. We also recommended that management harmonise its year-end reporting dates and accounting frameworks of its subsidiaries and joint ventures and establish an agreed-upon reporting structure and timetable with those bodies to ensure timely receipt of required information. We note that the Council have now appointed a full-time group accountant.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
Valuation of property assets held on the Coombe Abbey Park hotel site and prior period adjustment (Group Accounts only)	The Council were previously consolidating the hotel asset into its group balance sheet as an investment property. For the group, the hotel does not meet the criteria set out in IAS 40 to be held and valued as an investment property, since it is not held for the sole purpose of either generating rental income or capital appreciation. In addition, the Council identified further lease improvement assets held by the company, but not reflected on group balance sheet. A material adjustment was required to the classification and valuation of the assets as operational properties on the group balance sheet. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	We have: • evaluated management's processes and assumptions for the calculation of the revised estimate, the instructions issued to the valuation expert and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert used by the Council • corresponded with the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made to see if they had been input correctly into the asset register • tested the Council's rationale for electing to value the properties at Depreciated Replacement Cost (DRC) on balance sheet • evaluated the prior period adjustment disclosure to ensure it meets the requirements of IAS 8 **Audit findings** The Council had previously consolidated Coombe property into the group accounts incorrectly. The Council own the hotel and grounds, and these are leased to the company on an operating lease basis. For the single entity, the accounting includes retaining the hotel and grounds on the Council's balance sheet as an investment property and lease income is shown from the company. For the group the intragroup lease income and expenditure is removed. The property is consolidated as an investment property. This is incorrect, since to the group the property is operational. In addition, the company has constructed additional assets and these are held on the company's balance sheet at cost under FRS 102. Upon consolidation the Council have previously derecognised the improvement spend, assuming the spend would be considered within the hotel & grounds valuation. The Council however have now found that some of the spend is on outbuildings not part of the Council's assets. These assets, along with the hotel and grounds, require consolidating into the group accounts at valuation in accordance with the Code as operational assets. In summary the accounts were adjusted as follows: other land and buildings increased by £28.2m at 1.4.18; £28.7m at 31.3.19 and £29.3m at 31.3.20; investment property was derecognised by £7.035m at 1.4.18, £7.333m at 31.3.19 and £7.8m at 31.3.20. We agree that the adjusted accounting treatment is in accordance with relevant accounting standards in all material respects. We noted that the initial valuations obtained to support the group accounts adjustment were undertaken on a depreciated replacement cost (DRC) basis which assumes no comparable market data exists on which to base the valuations, there was also an error in the internal floor areas in one of the buildings leading to £3.5m overstated valuation. We challenged the Council's expert on this and also discussed this with our expert who raised concerns about the valuation method. We therefore discussed this further with the Council and its valuer who revised part of the valuation for comparable market data. We have considered the Council's judgement on the remaining DRC asset valuations and concluded that it is not unreasonable given the lack of similar properties and the limited comparable information available. The £3.5m error was also corrected in the revised valuation upon which the audit adjustments are based. We note that the Council are unlikely to recover this value if Coombe Abbey was to be sold and that the investment valuation of the company is c£7.3m and has reduced to c£1m in 2023.. We requested enhanced disclosure of the valuation of Coombe Abbey in the group accounts and why this differs to the single entity statements which the Council have now included. We have requested a letter of representation on this matter.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
Valuation of property assets held on the Coombe Abbey Park hotel site and prior period adjustment (Group Accounts only)	The Council were previously consolidating the hotel asset into its group balance sheet as an investment property. For the group, the hotel does not meet the criteria set out in IAS 40 to be held and valued as an investment property, since it is not held for the sole purpose of either generating rental income or capital appreciation. In addition, the Council identified further lease improvement assets held by the company, but not reflected on group balance sheet. A material adjustment was required to the classification and valuation of the assets as operational properties on the group balance sheet. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	We bring to your attention the following matter: - We noted that the subsidiary was operating at significant losses of £354,000 up to the year ending 31 March 2020. The impact of Covid-19 has had a significant impact on the trading of the subsidiary. <u>Significant control deficiency</u> In response to these findings and those PPE findings reported in out Audit Findings Report, we recommend that management conducts a thorough review of the valuations provided by their valuations expert to ensure that the source data used by the valuer is factually accurate and assumptions are appropriate. We also refer you to the related group control recommendations in Appendix A, which are also relevant to this issue.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
Accounting for goodwill on the acquisition of Tom White Waste Limited (Group Accounts only)	On acquisition of the Tom White Waste Limited subsidiary in March 2020, the Council should have recognised an intangible asset on the group balance sheet, representing the excess of the purchase price over the net assets within the acquired company on the transaction date. The balance of goodwill should then be assessed for impairment at each balance sheet date going forwards. The detailed accounting adjustments are set out in Appendix B. The total adjustment is not material.	We have tested the basis of the goodwill adjustment with reference to the report of management's independent valuation specialist. We have tested the adjustment is made appropriately. In summary, the adjustment required was to recognise £7.806m of intangible assets on group balance sheet as at 31 March 2020, with a corresponding credit to group unusable reserves. We have no further matters to report in relation to this adjustment.
Consolidation – Tom White Waste (Group Accounts only)	We noted that no income or expenditure had been consolidated in relation to Tom White Waste. The Council responded: "Acquisition was on 5th March 2020 so conscious decision not to include 25/26 days of trading as it would not add any value to the accounts. Same approach has been taken with related party transactions" From review of the Council's working papers, pro rated I&E values are: Sales & other income: £14.6m x (26/365) = £1m Cost of Sales + Expenses: £13.7m x (26/325) = £0.98m	As such we agree there is no material impact of non consolidation, but we have recorded this as unadjusted error.
CSWDC- Code valuation of plant (Group Accounts only)	We noted that a Code revaluation had been obtained as at 1st April 2019, but this has not been accounted for by the Council, who are recognising the value based on a 2014 Code valuation. We informed the Council of the updated valuation, and they made the following amendments, which we have reviewed and agree with: Cr Investment in Associates and Joint Ventures £1.956m (18/19: £2.746m) Dr Unusable reserves £1.956m (18/19: £2.746m)	The Council has adjusted for these errors in the group accounts.
Accounting for goodwill on the acquisition of Coombe Abbey Park Limited (Group Accounts only)	When revisiting previous accounting treatment, management noted that there was a goodwill element that had not been recognized (3.6m) which has now been adjusted for. The engagement team have reviewed the calculation of goodwill & also challenged management regarding lack of subsequent impairment of balance. The engagement team are in agreement that no impairment of goodwill is required at this stage.	The goodwill is now appropriately reflected on group balance sheet.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
Intragroup eliminations incorrect (Group Accounts only)	CAPL- when revisiting previous accounting treatment, management noted that some of the intragroup eliminations required adjusting between the Council and company. Consolidation adjustments were made to long term debtors £4.2m (18/19 closing: £4.6m, opening: £4.5m), intragroup costs £1.1m (18/19 £1.9m), the loss on revaluation of the investment in the company £4.0m, and short-term debtors in 2018/19: £1.3m. UKBIC- elimination of intragroup expenditure previously consolidated. The expenditure incurred by the company was originally consolidated as group expenditure. This related to capital spend which is now carried on the group balance sheet. An adjustment of £6.8m was required to the group CIES to remove the cost. Intragroup dividends from CSWDC and CAPL were not eliminated on consolidation in 2018/19, an adjustment of £7.5m was required to group CIES.	Management have made the appropriate adjustments
Gains/Losses on revaluation of financial instruments incorrectly presented (Group Accounts only)	Tom White Waste- acquisition costs of £10.7m were incorrectly netting down the gain/loss on revaluations of investments. Management have adjusted Friargate JVPL- acquisition costs of £10.5m in 2018/19 were incorrectly netting down the gain/loss on revaluations of investments. Management have adjusted.	Management have made the appropriate adjustments
UKBIC- Alignment of group accounting policies	The Council adopts the policy to write down the costs of intangible software assets in year of purchase rather than carry them on balance sheet. The group balance sheet should be prepared on the same basis. An adjustment to write out the intangible assets of £1.7m was required.	Management have made the appropriate adjustments
Share of other comprehensive income of joint ventures- (Group Accounts only)	Given the numerous amendments to group entries, the share was recalculated and a decrease of £8.2m was adjusted for on group CIES (£3.0m in 2018/19).	Management have made the appropriate adjustments
Group reserves – useable and non useable reserves (Group Accounts only)	Group Reserves- We identified that the Council had not split the reserves from its group companies between useable and unusable. Rather it had classed all of the reserves as unusable. The Council has now reviewed its group reserves and reallocated them between useable and unusable. The balance of usable reserves was £16.4m at 31 March 2020; £7.0m at 31 March 2019 and £5.6m at 1 April 2018. These revised balances taken account of other movements in the council and group accounts.	The group reserves are now appropriately presented.

Additional disclosure changes have been made to the group accounts including the MiRS, Cashflow and group disclosure notes as scheduled in the Appendix B to this report.

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Property, Plant and Equipment **Land and Buildings – Other - £486.1m** **VPE £10.3m** **Community assets £15.2m** **Surplus assets £9.4m** **Assets Under Construction £143.8m**	Other land and buildings comprises £486m of other land and buildings. This comprises of buildings such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its internal valuation team to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. 61% of total assets were revalued during 2019/20. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5.2.	**Introduction** The net book value of property, plant and equipment (including infrastructure) has increased from £905.2m to £990.6m (from the draft accounts). The value as at 31 March 2019 has increased from £861.3m to £900.5m due to Prior Period Adjustments. A third balance sheet has been included in the financial statements to reflect these changes as at 1 April 2018. This is caused by a number of factors including errors in the valuation of land and property and corrections in the accounting for UKBIC. These are discussed below. We note that Infrastructure assets are now shown separately in Note 3.15. These assets are shown net and no longer include gross values and depreciation. This is in accordance with national guidance (see page 35). Gross values and depreciation have also been adjusted by £380m to ensure that note 3.15 reconciles to the Council's records. This is explained on page 30. **Findings** Revaluation of Land and Buildings is undertaken within a 5-year rolling programme and is undertaken by qualified Council staff in accordance with the "Royal Institute of Chartered Surveyors Appraisal and Valuation Manual". The valuer will also undertake a review to determine whether the carrying amount of other assets, not due for valuation as part of the rolling programme, is consistent with their current value. We have carried out a reasonable check of all other land and building asset valuations carried to Gerald Eve market indexation rates for the year and we are satisfied that the carrying amounts shown in the balance sheet are not materially misstated. We have challenged the asset valuations as part of our audit testing strategy. **Commentary re valuation uncertainty** During our initial testing we identified that: • PPE valuation material uncertainties – the valuer has indicated that due to Covid-19 that there are uncertainties in the accuracy of their valuation of land, buildings and investment property • Pensions PPE valuation – as above the Pension funds valuer has indicated that due to Covid-19 that there are uncertainties in the accuracy of their valuation of investment property . Our anticipated audit report opinion will be unqualified. However, we propose that our audit report will include a commentary highlighting the material uncertainties in asset valuations stated in your accounts due to the Covid 19 pandemic. This will draw attention to this issue and is not a qualification of our audit opinion.	● Significant errors have been identified in current and prior year valuations

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Property, Plant and Equipment **Land and Buildings – Other - £486m** **VPE £10.3m** **Community assets £15.2m** **Surplus assets £9.4m** **Assets Under Construction £143m**	**Initial testing** Our initial audit work noted a number of adjustments required for both 2019/20 valuations and 2018/19 valuations (which has resulted in a prior period adjustment). The key areas where we found errors include • Valuation of a number of school assets where there have been a number of input errors in the valuation model. This increased the value of assets by £11.1m and increased Other Comprehensive Income by £5.6m and reduced revaluation losses by £5.5m (2018/19: £13.5m increase in assets and CIES) • Land valuations which included double counting of stamp duty in their valuation. The errors reduced the value of assets by £2.4m and reduced other comprehensive income by £1.1m and increased revaluation losses by £1.3m • Community Assets- Our testing of community assets identified that University Square (£1.2m) is not owned by the Council but is recorded on its balance sheet. • An asset leased on a finance lease had not been derecognised from the asset register in the correct year (impact: decrease in PPE 2018/19 £1.2m); • various other individually trivial amendments (impact: decrease in PPE PY £1.4m). The Council made both current year and prior period adjustments in relation to the above which resulted in: the 18/19 accounts being restated to reflect an increase in investment property £9.2m and a net increase in PPE 11.0m; and the 19/20 accounts being adjusted for a net increase in PPE of £7.5m. The community asset error £1.2m was adjusted in year 2019/20 rather than 2018/19. Given it is the only error affecting that asset class and is not material it is appropriate for the Council not to make a prior period adjustment. It is recorded as an unadjusted misstatement for 2018/19 in appendix B. **Additional testing** Following our initial audit we revised our audit strategy and carried out additional testing with regard to the valuation of property and land and with regard to the Council's approach. Our findings are set out over the following pages. We identified a number of material issues. These are set out over the following pages.		● Significant errors have been identified in current and prior year valuations

5. Significant findings – key estimates and judgements

Property, plant, and equipment

Issue	Commentary	Auditor view
Valuation of land assets earmarked for housing development and prior period adjustment (Group Accounts)	Coombe Abbey Group valuation - The Council were previously consolidating the Coombe Abbey hotel asset into its group balance sheet as an investment property.	For the group, the hotel does not meet the criteria set out in the Code to be held and valued as an investment property, since it is not held for the sole purpose of either generating rental income or capital appreciation. In addition, the Council identified further lease improvement assets held by the company, but not reflected on group balance sheet. A material adjustment was required to the classification and valuation of the assets as operational properties on the group balance sheet. In summary the accounts were adjusted as follows: other land and buildings increased by £28.2m at 1.4.18; £28.7m at 31.3.19 and £29.3m at 31.3.20; investment property was derecognised by £7.035m at 1.4.18, £7.333m at 31.3.19 and £7.8m at 31.3.20.
Accounting for gains and losses on asset derecognitions and prior period adjustment (Council and Group Accounts)	Gains and losses on asset derecognitions had been charged to the net cost of services which is contrary to the CIPFA Code of Practice which instead requires the charge to be accounted for as 'other operating expenditure' on the CIES. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	We have tested the adjustment corrects the previous error and evaluated the prior period adjustment disclosure to ensure it meets the requirements of IAS 8 In summary, the changes required were a movement of £13.602m from net cost of services to other operating expenditure in 19/20, and of £17.598m in 18/19. We have no further matters to report in relation to this adjustment.
Accounting for property, plant and equipment derecognitions and prior period adjustment (Council and Group Accounts)	When an item of property plant & equipment is derecognised, the gross cost and gross accumulated depreciation balances associated with that asset should be reversed. Previously the Council had made the adjustment to gross cost only, meaning the gross cost and gross accumulated depreciation balances for other land and buildings and infrastructure assets brought and carried forward were overstated by a material amount. The error does not impact the net book value of affected assets, and therefore there is no correction to the balance sheet. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	We have tested the adjustment corrects the previous error and evaluated the prior period adjustment disclosure to ensure it meets the requirements of IAS 8 In summary the cumulative adjustments led to a reduction in the gross cost and depreciation c/f at 31/3/20 of: £19.7m for infrastructure assets; and £9.2m for other land and buildings. Note that following the temporary relief afforded by an update to the Codes relating to infrastructure (set out later on page 35), gross amounts are no longer required to be reported for infrastructure assets, consequently the impact of the infrastructure adjustment set out above is not presented in the final accounts. We have no further matters to report in relation to this adjustment.

5. Significant findings – key estimates and judgements

Property, plant, and equipment

Issue	Commentary	Auditor view
Accounting for historic cost depreciation	It was noted during the audit that accumulated depreciation was significantly higher than expectations, given the regularity of revaluation on PPE. Upon further investigation by the Council, a historic error dating back to the implementation of the Business World system (Agresso) in 2011/12 was identified where downward revaluation on PPE assets had been improperly accounted for. The accounting at the time treated the movements as impairments by decreasing the net book value of the assets through accelerated depreciation, opposed to reducing the gross book value of the assets. However, with the fixed asset register these were treated as a revaluation and the gross book value of assets and depreciation were reduced. The resulting impact of this was a difference between the FAR and the Council's accounts. The difference in 2019/20 is a c.£380m equal and opposite overstatement in both gross book value and accumulated depreciation. This error had been rolled forwards from the 2011/12 financial period so a PPA for a similar value was also required to correct the error.	We have discussed this with the Council, and it is not possible to determine what the appropriate treatment was in 2011/12 (as records are not available. We have therefore agreed that it is appropriate to restate the financial statements to reflect the fixed asset register. This results in a c£380m adjustment to both gross asset values and gross depreciation. A PPA has also been actioned for this matter.
Valuation of assets being disposed of	Fairfax Leisure Centre was a Leisure Centre situated in central Coventry, open for public use until closure in February 2020 where services were replaced by a new asset: The Wave. Until 2020/21, the asset was held within Other Land & Buildings, valued using Depreciated Replacement Cost methodology with a net book value of c.£18m at 31 March 2020. Following the closure of the centre to members of the public, the asset was re-categorised as a Surplus Asset in 2020/21 by the Council and was placed on the market for lease or sale.	Following challenge by the engagement team, it was identified that the Council had not appropriately accounted for the impact of the decision to close and the actual subsequent closure in the financial statements. The main impact of this was a significantly shorter remaining useful life of the asset at 31 March 2020. The asset was revalued by the Council's external valuer using an accurate reflection of the remaining useful life resulting in a reduction in value of £16.9m at 1 April 2018 £16.2m at 31 March 2019 & £17.6m at 31 March 2020.
Assets Valued under an "Insurance Rebuild" DRC Basis	During audit work performed around the valuation of Fairfax Leisure Centre, it was identified that the leisure centre had been previously valued using an insurance rebuild approach at 1 January 2018. An insurance rebuild valuation includes all costs to rebuild the existing facility, including a return for risk as well as full demolition which is not consistent with RICS guidance pertaining to Depreciated Replacement Cost valuations. The council identified a further 10 assets which had also been valued under this methodology with a combined total NBV of £57m at 31 March 2020.	These assets have subsequently been revalued in line with RICS guidance resulting in an upwards revaluation adjustments of: Prior period adjustment to the opening balance at 1 April 2018 of £10.6m, Prior period adjustment to the closing balance at 31 March 2019 of £11.6m, and an adjustment to the closing balance at 31 March 2020 of £12.1m.

5. Significant findings – key estimates and judgements

Property, plant, and equipment

Issue	Commentary	Auditor view
Changes in Valuation Methodology	The Council engaged an external valuer, Wilks, Head & Eve, to perform PPE valuations in the year ended 31 March 2021, succeeding from the internal valuers at the Council in previous financial years. The external valuers highlighted five assets where they opted to value using a DRC approach deeming the assets as specialist, i.e. where there may not be an accurate market value. Upon review of previous valuations of these assets, it was identified that the assets had been valued using rateable values of the property as a proxy in lieu of market rents.	The engagement team deemed that this was not an appropriate approach to valuation of assets. The assets were subsequently revalued by Wilks, Head & Eve resulting in upwards revaluation adjustments of: Prior period adjustment to the opening balance at 1 April 2018 of £6.5m, prior period adjustment to the opening balance at 31 March 2019 of £6.5m, and adjustment to the closing balance at 31 March 2020 of £6.3m.
Errors in Other Asset Valuations	There were errors noted on 5 non-operational property assets following a review of valuation movements from 2019/20 compared with 2020/21. These errors related to: Inaccurate lease data used within the valuation, Incomplete site size / not all units included in the valuation, Incorrect reversionary rents used by the valuers.	The total impact of these errors was £2.6m in 2018/19 plus an upwards movement of c.£1.9m in 2019/20.
Arena Hotel Land	Land adjacent to the Coventry Arena had not been valued in 2019/20 due to the asset merging in the QUBE property system. As such, the asset was significantly undervalued in the financial statements. The Council revalued the asset using the correct inputs at 2019/20.	The total impact of these errors at 31 March 2018 and 31 March 2019 £3.8m.

5. Significant findings – key estimates and judgements

Property, plant, and equipment

Summary

We have set out below the key changes arising from the commentary in the previous pages. The following amendments have been made:

- Property, Plant and Equipment – 31 March 2020 increased from £905.2m to £990.6m. (+£85.4m) This comprised of:
  - Other land and buildings –increased from £476.6m to £486.1m (+£9.5m)
  - Community assets- decreased from £16.3m to £15.1m (-£1.2m)
  - Surplus assets increased from £5.6m to £9.4m (+£3.8m)
  - Assets under construction –increased from £83.5m to £143.8m (+£60.3m – UKBIC adjustment per page 21)
  - Infrastructure assets –increased from £312.9m to £325.8m. (+£12.9m - detailed on page 35)

- Property, Plant and Equipment – 31 March 2019 increased from £861.3m to £900.5m. (+£39.2m) This comprised of:
  - Other land and buildings –increased from £441.6m to £454.2m (+£12.6m)
  - Surplus assets increased from £3.3m to £7.1m (+£3.8m)
  - Assets under construction –increased from £80.5m to £103.0m (+£22.5m – UKBIC adjustment per page 21)

The areas detailed above have now been amended for by the Council. However, we do not consider that the Council’s arrangements for the valuation of and the accounting for its property were fit for purpose. We have made recommendations with regard to the improvements needed.

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Investment Properties- £292m **Investment assets - £11m AUC**	The Council holds a range of investment properties which comprise of commercial, office units, agriculture, residential and other assets. The assets are included in the balance sheet are at fair value, of which the 50 with the highest values are valued annually and the remainder at least every 3 years. For Investment Property, valuations decrease are recognised in Surplus or Deficit on the Provision of Services.	The Investment Property valuation increased by the following amounts from the draft to final accounts: - Net Book value 31 March 2019 – increased from £176.3m in draft accounts to £276.7m - Net book value 31 March 2020 – increase from £192.7m in draft accounts to £291.1m - AUC 31 March 2019 – decrease from £38.9m in draft accounts to £10.4m - AUC 31 March 2020 – decrease from £29.4m in draft accounts to £11.2m. The increase in the NBV of investment properties is primarily due to: - Management identified a number of material valuation issues with the valuation of land. The changes have led to an increase in the investment property balance brought forward as at 1/4/2019 of £92.8m, and an in-year upward fair value adjustment of £5.8m, meaning the Council now recognises £98.6m of investment properties previously held at nil or low value. - Our audit testing identified for 2018/19 valuations the valuers had deducted acquisition costs from the valuation which is contrary to RICS and CIPFA Code requirements. Both current and prior year accounts have been adjusted for this matter – see Appendix B for full details. As a result, the Council has made current and prior period adjustments which will result in the increase of Investment Properties by £9.2m. The reduction in the AUC balance held in investment properties is due to: - The movement in assets under construction reflects a reclassification of £28.5m from investment property AUC to PPE AUC in 2018/19 and the same reclassification in 2019/20 of balance £18.2m and a reversal of a fair value loss of £42.2m – total £60.3m reclassified to operational AUC as per previous page . This reflects a reclassification of UKBIC properties from investment property to operational properties. This adjustment was made as at 31 March 2019 and 31 March 2020 **Valuation** The Council have revalued over 80% of the their total asset base. We consider that all Investment Properties should be revalued annually. The remaining assets that have not been revalued by the Council have been subject to a review to ensure that here have been no material changes to their value in accordance with IAS 40 and the CIPFA Code. We identified that due to changes in lease values that investment property was undervalued by £4.5m (£2.6m in 2018/19). We are satisfied that the valuation of these assets means that the remaining assets which have not been revalued will not result in a material misstatement. However, we remain of the view that the Council should value all of its investment portfolio annually. **Commentary on valuation uncertainty** As noted on page 3 there is a material uncertainty in the valuers report as a result of RICS guidance which has raised a valuation alert in relation to Coivd-19 which the Council have disclosed in the material uncertainties note in their financial statement. As a result we will include a commentary on this matter in our audit opinion. <u>Control deficiency</u> In prior audit findings reports we recommended that management should regularly reconcile the asset register with estate records held by the property team. We extend this recommendation to include a regular review of all relevant Local Plans identified as having an impact on local areas in which the Council owns land, and ensure this is considered in the valuation of affected land assets.	● As not all properties are revalued annually, and errors have been identified in prior year valuations

Financial statements

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for Business Rate Appeals - £14.7m	The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. One of the implications for this is that the Council is required to make provisions for refunding ratepayers who successfully appeal against the rateable value of their properties including amounts relating to 2019/20 and earlier financial years although the amount and timing of future payments are uncertain. The provision has increased by £6.2m from the prior year.	The Business Rates provision has increased in 2019/20. In our report to member in December 2020 we reported that: 'To date the Council has only had a low level of appeals against the 2017 valuation listing. There has been a £7.8m net reduction in liability between initial billing and the position as at 31/3/20 for years relevant to the 2017 valuation listing. In forming its estimate the Council has used its claims history dating back to 2007-08. In forming its estimate the Council has used its history of liability movements during the previous revaluation cycle (2010 to 2017). We note that the average appeals rate from 2007-08 was 6%. We note that the average liability movement between 2010 to 2017 was 4.8%. This compares to an average appeals rate of 4% between 2013-14 to 2016-17. We estimate that if the Council used the lower rate that the provision would be c.£7.5m and £2.9m less. While this is not material it is significant and the Council should keep this provision under review. We have asked the Council to expand their disclosure of provisions to add further details on their provision process and to explain their judgements why these are provisions and not contingent liabilities. We note that the Council does not use an external expert to verify its estimate. The Council may wish to consider the use of an expert to support its estimate. However, we note that the Council's estimate is prudent.' We have made additional enquiries of management in April 2023 and management confirmed that: ' The analysis of the Business Rates appeals provision was last updated at the end of November 2022, in order to inform 2023/24 budget setting. At that point in time there had been a total of £9.4m of Business Rates liability reductions, relating to bill years up to and including 2019/20, chargeable against the £14.7m provision, representing 63% of the total. It can take several years for Business Rates liability reductions to crystalise, and the remainder of the provision is being maintained to cover future anticipated reductions. Based on the pattern of historical liability reductions it is anticipated that all of the original £14.7m provision will be utilised.' The Council have confirmed that as at April 2023 a total of £9.4m of the provision has been utilised. We have reviewed the provision and estimate that it is overstated by c£2.9m. We have included this as an unadjusted error.	●

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

5. Significant findings – key estimates and judgements

Infrastructure Assets

Risks identified in our Audit Plan	Commentary
Value of Infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note Risk relates to the Council only Infrastructure assets includes roads, highways and streetlighting. As at 31 March 2020, the net book value of infrastructure assets was £325m which is a significant multiple of materiality. This is an increase from the £312.9m presented in the draft accounts. In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address: 1.The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. 2.The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced. For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.	We have: •Reconciled the Fixed Asset Register to the Financial statements •Using our own point estimate, considered the reasonableness of depreciation charge to Infrastructure assets •Obtained assurance that the Useful Economic Lives (UEL) applied to Infrastructure assets is reasonable •Documented our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated The Council has previously derecognised Infrastructure assets on replacement according to their best estimate. This estimate however is based on incomplete historical records and is therefore unreliable. This is a national issue and, as set out on page 4, the Department for Levelling Up, Housing & Communities (DLUHC) has drawn up a Statutory Instrument which came into force on 25 December 2022. It therefore is hoped that this Statutory Instrument, together with updates to the CIPFA Code, will resolve the majority of the ongoing audit challenges related to infrastructure asset balances. **Audit findings** The Council increased the value of infrastructure by £12.9m from the draft accounts (from £312.9m to £325.8m). This was due to application of the statutory overrides in respect of derecognitions. The Council had previously made best attempt at estimating how much of the spend on infrastructure was replacement spend as opposed to new additions. We found the estimate was unreliable due to the inadequacy of historical records. The Council therefore reversed the estimated in-year derecognitions in line with the override. The Council are applying the statutory overrides re not applying PPAs to b/fwd balances and in assuming replaced components have a £0 value. We have reconciled the financial statements to underlying financial records. Underlying records of expenditure have been audited in prior years and are sufficiently categorised to apply differential rates of depreciation. However, there is little detail to support the expenditure or to link the expenditure to particular assets. The Council have applied the statutory instrument in determining that no prior period adjustment is needed to the b/fwd balances. We have reviewed depreciation and UELs. The Council have depreciated its assets on a 40 year straight line basis. This gives depreciation of £9.3m. We note this includes land depreciation £2.9m. Re the 40 year asset basis we have considered the impact if asset lives closer to the Cipfa range were applied. Current depreciation on comparable assets excluding land is c£5.5m. If the lower end of the Cipfa range was applied across all categories the depreciation would be £8.7m. If the higher end of the range was applied the depreciation would be £6.2m. The Council is slightly outside of our acceptable range c£0.7m. We have reported this as an unadjusted error. Re land depreciation (In year) - the £2.9m charge in the current year is incorrect and we have reported this as an unadjusted error. Re land depreciation (prior year) - we note that the Council have charged £60m of depreciation in the prior years. We have reviewed the records with regard to land in infrastructure and they are incomplete. We also note that the SI does not require the council to undertake a PPA. We have discussed this with the Council and they have declined to put through a PPA. We have also discussed whether there is sufficient evidence to correct the error in 2019/20 but there are no land records available. As such we have conclude that it is inappropriate to restate the land figure as the Council cannot provide detail records that would support a restated asset. We also note that the Council have opted not to put through a PPA as allowed by the Statutory Instrument. We have therefore not recorded this as an error. The Council have opted to follow the revised disclosure requirements allowed by the revised code of practice and is showing infrastructure assets as net book value, ie it has removed all gross book value and gross depreciation values. It has also added a disclosure setting out its application of the revised code. We are satisfied that the infrastructure balance and disclosures are in accordance with that statutory instrument and revised Cipfa Code.

Financial statements

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £573m	The Council's net pension liability at 31 March 2020 is £573m (PY £554m) comprising the West Midlands Pension Fund, and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham. to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The Council's actuary disclosed a material uncertainty in the valuation of the Council's pension fund liability at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5.2 The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy ,discount rates ,salary growth and investment return .Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £59m net actuarial loss during 2019/20.	See below	

Auditor commentary

- Barnett Waddingham, an external actuary firm, provide actuarial advice to the Council via the West Midlands Pension Fund. As such, this involves providing the Council with an actuarial valuation of the pension expense calculations. The scope of the work is to undertake pension expense calculations, as instructed by the Administering Council, for the Council, for the purposes of complying with IAS 19 (Employee Benefits) for the accounting period.
- PwC are employed by the NAO on behalf of external audit suppliers to local government to provide support to auditors when assessing the competence and objectivity of actuaries producing IAS 19 figures in respect of the Local Government Pension Scheme (LGPS). Barnett Waddington have carried out a roll forward approach from previous actuarial valuation to allocate assets and liabilities between employers at a triennial valuation.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.35	2.35	
Pension increase rate	1.90	1.85 to 1.95	
Salary growth	2.90	2.85 to 2.95	
Life expectancy – Males currently aged 45 / 65	23.8	22.8 to 24.7	
Life expectancy – Females currently aged 45 / 65	26.0	25.2 to 26.2	

- The auditor of West Midlands Pension Fund has reported an emphasis of matter in their audit opinion as result of material uncertainty over valuations reported by the pension fund on level 3 investments. Given Coventry City Council's share in the asset base of the pension fund we have agreed with the Council that they will include a material uncertainty in regards to this in their financial statements and we will include a commentary on this matter in our audit opinion.

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

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Long term investments	The Council have disclosed a number of financial instruments including collective investment funds, long term debtors, and shareholdings in unlisted companies Birmingham Airport Holdings Ltd Coventry Solihull Waste Disposal Company Coombe Abbey Park Ltd, Friargate Joint Venture Project Limited North Coventry Holdings Limited Coventry North Regeneration University of Warwick Science Park Innovation Centre Ltd UK Battery Industrialisation Centre Limited Tom White Waste Ltd These financial instruments are not traded on an open exchange/market and the valuation of the investment is subjective.	• Financial Instruments except for those at amortised costs, are carried on the Balance Sheet at fair value. For most of these assets this is based on the market price. • Our audit testing has confirmed that the classification of investments at either level 2 or 3 are in line with our expectations and the Council have correctly applied the fair value hierarchy assumptions when making these decisions. • The Council have appropriately relied on the valuations carried out by their treasury advisors, Arlingclose, and other experts when disclosing these amounts in the financial statements. • As in prior years we have engaged our specialist internal valuation team to look at the valuation of Coventry Solihull Waste Disposal Company and Birmingham Airport Holdings Ltd and Coombe Abbey Park Ltd. They have provided the audit team with assurances that the valuation of these investments are not materially misstated in the Council's financial statements. • Our detailed findings are set out on page 38.	●
Financial liabilities held at amortised cost	Other local Authorities Fair Value of debt as at 31 March 2020	• We noted an error in the disclosure of the fair value of borrowings held with other local authorities which has resulted an increase in the fair value by £22m (from £50.979m to £70.077m. The Council have adjusted the financial instruments note to reflect the correct value.	●

Financial statements

5. Significant findings – Investments

Accounting area	Auditor commentary	Assessment
Investment valuation – Birmingham Airport	- We note that the Council has an investment in Birmingham Airport. The trading conditions for the Airport are uncertain and we note that the valuation of the Council's investment reduced from £29.3m in 2018/19 to £17.9m in 2019/20. We note that the investment has now recovered its previous 2018/19 value with the latest valuation as at 31 March 2023 reporting £33m. . The Council alongside the other 6 West Midlands authorities stated in 2020 its intention to engage in discussion with the Airport with regards to providing tangible support to the Airport should this be required. No investment was subsequently made. Also, while the Council put in place a cashflow loan arrangement (to ensure that financial covenants were not breached) these were ultimately not required. The Council have made additional disclosure on these matters in note 3.36 to the accounts.	● (green)
Investment valuation- Tom White Waste	Tom White Waste- IFRS valuation of land & buildings. The Council did not instruct a valuation as at the balance sheet date. We requested a valuation but this was declined. The Council have held the investment in their accounts as £14.6m in line with the purchase cost of the shareholding. The carrying value of the assets in the accounts is £6.3m for the company. This is as per the company's balance sheet. We obtained the BDO valuation report which states "2.38 We have assumed that the market value of the freehold land and buildings is not substantially different from the carrying value recorded in the accounts of TWW." We consider that this does not provide assurance over the fair value of the land and buildings as the TWW accounts carry the balance at depreciated historical cost. We therefore consulted with our own valuation expert who concluded that the valuation was unlikely to be materially misstated. We consider that the Council should revalue these assets on an annual basis.	● (yellow)
Investment valuation- UKBIC	The Council has valued the UK BIC as £nil in its long term investments. We have sought our own valuation advice for the company and this has confirmed that the valuation is appropriate.	● (green)
Investment valuation- Friargate JVPL	Friargate Joint Venture Partnership Limited - The Council have a 50 per cent share in this partnership but did not request a valuation of the company as at the balance sheet date. We requested a valuation was completed but this was declined. The value of the company is mainly its land value. This is £20.3m accounted for at depreciated historical cost on the company's balance sheet. The Saville's valuation report was obtained and included a freehold value of the land of £20m in December 2017. We applied the Residential Development Land Index which shows a 0.4% reduction over the period. This equates to £20m x 0.4% = £80k a trivial movement. As land is the only significant element of the company valuation we are satisfied that we have assurance that the valuation has not moved materially and therefore the carrying value of the long term investment is also appropriate. We consider that the Council should revalue these assets on an annual basis	● (yellow)
Investment valuation- Coombe Abbey Park	Coombe Abbey Park Limited (CAPL) is a wholly owned subsidiary of the Council, which acquired 100% of the ordinary share capital of the company in December 2017. We have noted that the subsidiary was operating at significant losses of £354,000 up to the year ending 31 March 2020. The impact of Covid-19 has had a significant impact on the trading of the subsidiary. The fair value of the investment was calculated to be £11.4m in 2018/19. An updated valuation exercise in 2020 has reduced the valuation to £7.4m. The Council have used BDO to carry out the valuation.	● (green)

Assessment

- ● (red) We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● (amber) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● (yellow) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● (green) We consider management's process and key assumptions to be reasonable

Financial statements

5. Significant findings – Other matters

Accounting area	Auditor commentary	Assessment
Expenditure	The Council applies a £5,000 threshold for its consideration of accruals. We identified 3 expenditure items below the threshold of £5,000 that had been posted to periods 1,4 & 7 of 2019/20 when they related to 2018/19 expenditure. We are satisfied that the Council have applied it de minimis policy, however, on the basis of the sample tested we identified an extrapolated error of c.£5m, ie this is the value of expenditure excluded from the Council's 2019/20 expenditure. While this is not material the Council should note the potential impact of its accruals de minimis policy.	
Credit loss allowances	We reviewed the credit loss allowance with regard to other debtors. This comprised £11.2m for local taxation and £14.0m for all other bodies. The Council provided an update on the latest position in April 2023 and noted that £1.4m had been released from the local taxation position and that the Housing Benefit provision is slightly overstated c£1.2m. No significant changes have been made to the other provisions.	
Disposals	The Council derecognised a waste reduction asset (£1.152m) in year. This asset should have been derecognised several years ago due to being let on a finance lease but was only derecognised in 2019/20. We reviewed leases for other similar items and identified there were no other leases which should have been derecognised in the year. 2018/19 was adjusted for this issue as part of the wider PPE prior period adjustment as referenced on page 28 and in appendix B.	

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 and key assumptions to be reasonable

6. 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 commentary

Management's assessment process Management have carried out a written assessment which confirms: • The Council have taken into account the impact of Covid-19 and other events in their assessment of Going Concern are satisfied that there is no material uncertainty to cast significant doubt on the Council’s ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date. • There assessment carried out in regards to estimations of budgets and the adequacy of reserves and therefore monitor any risks over going concern. • Review of going concern considerations of the subsidiaries of the Council	**Auditor commentary** CIPFA Code of Practice 2019/20 Code para 3.4.2.23 states "Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future". The presumption in local government is that the going concern assumption does apply unless there is specific evidence to the contrary from factors such as: - announcement to wind up the Council - failure to set a balanced budget - external assessment concludes unsustainable - financial plans show unable to meet obligations for foreseeable future - significant doubts over forward financial planning arrangements. The impact of the Covid-19 pandemic for the year ending 31 March 2020 had a modest impact on the Council’s operations both in terms of expenditure and income and its overall finances. However, as noted by the Council the impact of Covid-19 had a significant impact on the Council’s finances in 2020/21 and 2021/22. The Council received significant levels of grant funding in both of these years. We note that for 2020/21 the Council achieved a balanced revenue position after £9.2m was set aside in, Capital Programme expenditure of £194.2m, and an increase in the level of available Council revenue reserves from £90m to £123m. Similarly for 2021/22 the Council achieved a balanced revenue position, incurred capital expenditure of £189.5m, and increased available revenue reserves from £123m to £140m. For 2022/23 the revenue forecast is for net expenditure to be £8.5m over budget. This is containable in available reserves. For 2023/24 the Council set a Gross budgeted spend of £812m (£63m or 8% higher than 2022/23). The Council are satisfied that there are sufficient general fund reserves in place to meet any necessary contributions to delivery services in 2023-24.
Work performed Detail audit work performed on management’s assessment	**Auditor commentary** Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption. We have reviewed the estimates and assumptions made in the medium term financial plan and have deemed these to be reasonable and in line with the environment the Council work in. The Council have built in the impact of Covid- 19 into their planning which anticipates overspends on their budgets. However, given the reserves the Council has in place they will be able to draw down from reserves if required to mitigate any funding gaps in the short term. We have reviewed the work completed on Going Concern of the component auditors for Coventry and Solihull Waste Disposal Company and Tom White Waste and have not noted any material uncertainty. We have reviewed the work completed on Going Concern of the component auditor of Coombe Abbey Limited and have noted that there are concerns over the entity operating as a going concern. However, we are satisfied for the Group this does not result into a material uncertainty.
Concluding comments	**Auditor commentary** We are satisfied that there is no material uncertainty in the operations of the Council and its group which would effect their ability to operate as a going concern.

7. 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 and Procurement Committee and have not been made aware of any other 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 Group and Council. We have requested the following representations from the Council: • 'The prior period adjustments disclosed in Note 3.39 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention. We are satisfied that the opening balance position of restatement of 1 April 2018 is free from material misstatement. • We have completed a review of the accounting treatment of UKBIC and its consolidation in the group accounts and are satisfied that the position is shown is free from material misstatement. • We are satisfied that land and property has been appropriately classified and has been valued on an appropriate basis in compliance with the Royal Institute of Chartered Surveyor guidance and the CIPFA Code of Practice on local authority accounting 2019-20. • We are satisfied that the valuation of Coombe Abbey in the group accounts complies with the Royal Institute of Chartered Surveyor guidance and the CIPFA Code of Practice on local authority accounting 2019-20. • We have not completed the revaluation of all all investment properties as required by IAS 40, however, we are satisfied that our approach to valuation means that those assets not valued in year are free from material misstatement.'
Confirmation requests from third parties	• We requested from management permission to send confirmation request to banks and other bodies to confirm cash, borrowings and investment holdings. This permission was granted and the requests were sent and we have received all confirmations required.
Disclosures	• Our review found no material omissions in the financial statements, although we have worked with the Council to enhance some disclosures including the need for Prior Period Adjustments.
Audit evidence and explanations/significant difficulties	• All information and explanations requested from management were provided. • The draft financial statements were timely but the financial statements contained material errors. We note that the financial statements presented for audit included material misstatements in both the Council's accounts and in the Group accounts. The resolution of these matters has taken a considerable amount of time and a significant level of additional resource from both ourselves and the Council. Enhanced quality control procedures will be needed by the Council in areas such as asset valuation and accounting, and group reporting will be needed if we are to avoid similar delays in the future.

8. Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception: 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 The Council has updated its AGS to reflect the delay in the 2019/20 accounts. We considered the use of our statutory powers due to the delay in the 2019/20 financial statements. Officers have set out a clear plan to ensure that the outstanding accounts for future years are completed in as timely a manner as possible. As such we have determined that it is not necessary to utilise our statutory powers. We will monitor the implementation of the plan and will consider at future audits whether we need to utilise our statutory powers. As such, we have nothing to report on these matters.
Specified procedures for Whole of Government Accounts (WGA)	Due to the extended time needed to complete the audit we are no longer required to undertake WGA procedures.
Certification of the closure of the audit	Our audit is complete and our intention is to issue the audit certificate alongside the audit opinion.

9. Value for Money

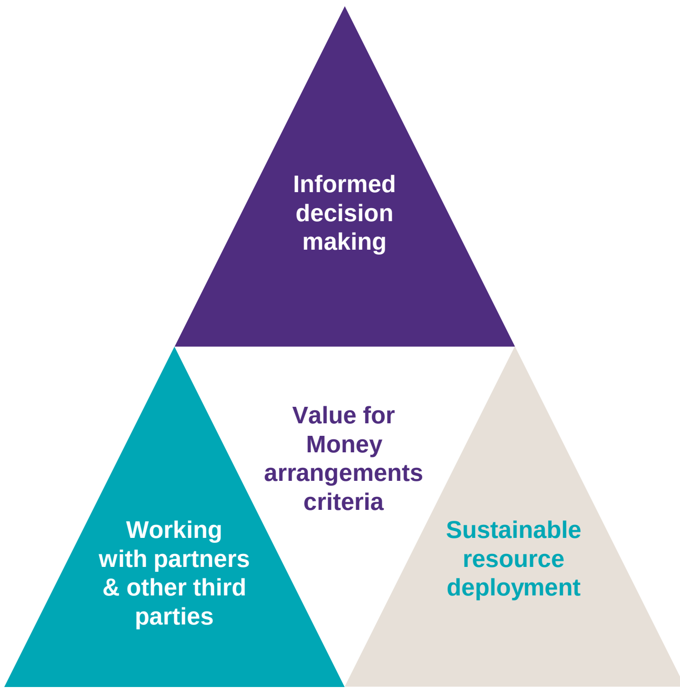
Background to our VFM approach

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

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

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

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



Risk assessment

We carried out an initial risk assessment in January 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 27 January 2020.

We have continued our review of relevant documents up to the date of giving our report, and have identified a significant risk with regard to the preparation and quality of the Council's financial statements. Our findings are documented in the following sections of this report.

We have not identified any new VfM risks in relation to Covid-19 given these areas were covered in our risks relation to the Medium Term Financial Sustainability and the Delivery of the Capital programme. We also considered the timing of Covid-19 and concluded that this did not have a material impact on the Council's delivery of 2019/20.

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

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 risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the Council's capital outturn in 2019/20 against its budget
- the Council's arrangements to monitor capital expenditure, including slippage of capital expenditure and the impact of underspends
- the Council's capital programme for 2020/21 and its outturn as at quarter 1 and 2
- the Council's funding profile for its capital programme
- the Council's financial outturn for 2019/20 against its budget
- the Council's current financial position as reported in the 2020/21 quarter 1 and 2 monitoring reports
- the Council's financial modelling for the medium term and scenario planning.

In addition, we have consider the difficulties with and the extended time taken to complete the Council's financial statement audit.

9. Value for Money

Key findings

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

Significant risk - Delivering the Capital Programme

Audit Findings

The Council had an ambitious capital strategy with planned expenditure from 2019/20 to 2024/25 of approximately £940m. Given the scale of capital expenditure we have reviewed the arrangements the Council has in place to monitor the capital programme. The main controls in place include budgetary control measures and attendance of capital accountants at project delivery meetings to assess and give their view on the financial impact and progress of projects. The budget position is reported on a quarterly basis to members, which explains any slippage and budget variances.

The final capital budget for 2019/20 was £235.1m. The Council have expended £215.9m and therefore rescheduled £19.2m into 2020/21. The main capital projects which have had slippage are;

UK Central & Connectivity – The Council have confirmed expenditure of £4m compared to a budget of £23m. This is predominately in relation to the A46 Link Road Stoneleigh Junction. The Department for Transport have approved the full business case with anticipated work to be completed by spring 2020.

Highways, Transport and Vehicles – The Council have a number of schemes with the most notable being Clean Bus Technology and Air Quality. There is no anticipated further slippage on Clean Bus Technology but delays likely on Air Quality due to government expenditure being reprofiled.

Whitley South Infrastructure – The Council have confirmed that the current expenditure position is £57.9m against a budget of £63.9m, with works to be completed in March 2021.

We have reviewed the Council's capital monitoring post year end and are satisfied that there has been progress on spend against these projects in both quarter 1 and quarter 2 of 2020/21. We are not aware of any cancelled projects as a result of Covid-19, but understand there has had to be rescheduling and rephasing of projects in 2020/21.

For 2020/21 a Capital Programme of £232.7m was approved in February 2020. The Council spent £195m with the remainder rescheduled into the next financial year. The primary cause of delay was COVID 19. This is not dissimilar to other councils.

The capital programme is funded by a range of resources including Grants and Contributions £191m, Prudential Borrowing £42m, Capital receipts £11m and Revenue Contributions of £5m from the Council's funds. The contributions of funding from both Capital Receipts and Revenue Contributions are relatively modest compared to the overall sources of finances required by the Council to fund the capital programme. Given the profile of resources available to the Council the impact of the slippage in the capital programme does not have any significant revenue implications for the Council.

Conclusion

The Council delivered against much of its capital programme for the year ending 31 March 2020 with an underspend of £19m which was deferred into to the 2020/21 capital programme. We are satisfied that the Council has put in place sufficient monitoring arrangements to ensure that capital programme is appropriately recorded and monitored against, and that any significant slippages, overspends or underspends are reported to members. The resourcing profile of the capital programme, which is primarily funded through Grant Contributions and Prudential Borrowing means that any slippage in capital expenditure has little impact on the Council's revenue. From the work carried out we are satisfied that there are no material weaknesses in the Council's arrangements for delivering and monitoring its capital programme.

9. Value for Money

Significant risk - Medium Term Financial Sustainability

Financial Performance 2019-20

The Council set a revenue budget for the year ending 31 March 2020 of £231.5m and was able to achieve a revenue outturn of £231.4m. The Council's revenue reserve balance is £90m as at 31 March 2020, an increase of £8m compared to last year. The position includes reserve contributions of £13.05m of which £7.55 relates to Covid-19 grant funding and £5.5m reflects underspent budget across the Council's bottom line.

Financial Performance 2020-21 and following years

The impact of the Covid-19 pandemic for the year ending 31 March 2020 had a modest impact on the Council's operations both in terms of expenditure and income and its overall finances. However, as noted by the Council the impact of Covid-19 had a significant impact on the Council's finances in 2020/21 and 2021/22. The Council received significant levels of grant funding in both of these years.

We note that for 2020/21 the Council achieved a balanced revenue position and that its useable reserves were c£224m (including £48m in COVID 18 Business Rate Relief reserves). It incurred capital expenditure of £194m. Similarly for 2021/22 the Council achieved a balanced revenue position, incurred capital expenditure of £189.5m, and increased available revenue reserves from £123m to £140m.

Budgets for 2022-23 and 2023-24 were agreed at the Cabinet meetings on 22 February 2022 and 21 February 2023 respectively. The 2022-23 budget was balanced without any planned use of reserves, no planned reductions to services and no specific savings plans. When setting the 2022-23 budget in February 2022, the Council envisaged a year-end deficit of £16.9m for 2023-24. The Council has now been able to agree a balanced budget for 2023-24 without planned use of reserves and without any service reductions or specific savings plans. This is as a result of a more favourable Local Government Financial Settlement than originally forecast.

As at 31 March 2022, the Council had £140m of revenue reserves, £18.6m in Covid Business Rates Relief, £37m in capital receipts, and £31m in school reserves. Total reserves amounted to £226m, a £2m increase in reserves from 2020-21. This included an extra-ordinary balance of £18.6m at the end of 2021-22 in relation to Government Covid Business Rates reliefs announced in 2020-21. This balance, includes an addition to Adult Social Care Reserves of £15m. The Council continues to have a healthy level of reserves.

Medium Term Financial Planning

The Council clearly sets out corporate strategic priorities, which are referenced within the Council's financial planning processes. The 'One Coventry Plan' sets the Council's vision, its ambitions for the city council and its priorities for addressing the challenges and opportunities it faces. The Council's stated priorities are to be: Globally connected; Locally committed and Delivering its priorities with fewer resources. These priorities are clearly reflected against the respective spend areas in the Council's Medium-Term Financial Strategy (MTFS). The MTFS is aligned with the Council's workforce strategy which aims to ensure the Council has the necessary talent to deliver its vision and the Council's Capital Program with the aim of making Coventry an attractive place to live and work. .

There is no evidence that the Council is depending on reduction in services currently being provided to secure financial sustainability. Unlike many similar councils, Coventry does not currently have a significant savings programme and has been able to mitigate the level of savings required from transformation to balance its budget. Identified savings were £0.9m from various commercialisation projects and £0.3m from the restructure of the Council's senior management team. The Council is also not reliant on non-recurrent savings or on reserves. Overall reserves grew slightly (from £224m at 31 Mar 2021 to £226m at 31 March 2022). Some of these reserves are utilised in 2022-23 and 2023-24, however, this is mainly residual costs related to Covid-19 and it is anticipated that the Council will continue to have a good level of reserves going forward.

Continued overleaf

9. Value for Money

Significant risk - Medium Term Financial Sustainability

Medium Term Financial Planning continued

We noted in our 2020-21 Auditor's Annual Report that the Council does not currently prepare a cash flow forecast but relies on an existing long standing staff member with extensive knowledge of the Council's business to estimate the Council's cash flow forecasting without documenting it. The Council still does not have a written cashflow statement. In mitigation the Council does set out a detailed income and expenditure forecast, it also has a low level of borrowing however we do not deem this to be sufficient to effectively manage cashflow including avoiding unnecessary cashflow costs. A recorded cashflow statement that is reviewed throughout the year will help to mitigate this risk. Without this in place there is a risk that this could become a significant weakness over time as the Council's financial position changes. We have therefore made a further improvement recommendation in this respect. Management provided the following response: "The Council's view is that it has a proven track record of good cashflow management and that its approach is fit for purpose. However, Council officers are happy to look at any practical improvements that could be made and will seek out good practice at other councils."

The MTFS is updated as part of the budget process, the latest MTFS was approved by the Council in December 2022 for the period 2023-24 to 2025/26. As part of this review, sensitivity analysis and scenario modelling was undertaken on all aspects of the MTFS, including income assumptions and expenditure assumptions. The Council initially put forward a series of proposals which forecast a deficit of £30m and £42m for 2024/25 and 2025/26.

The MTFS was updated in February 2023 with the forecast deficits reduced to £20m and £31m respectively. This represents the Council's indicative starting position arrived at as a result of the Government's one-year spending round and is updated each year as soon as the Council receives confirmation for other known and new non-recurring government grants. This is the Council's worst-case scenario. Due to significant transformation in recent years, the Council is now in a relatively stable position (impact of Covid-19 aside) and optimises income through several routes such as fees and charges to close this forecast deficit to balance the budget. It has a good track record in achieving this and anticipates being able to continue to achieve this outcome.

The Council adopts an extremely prudent approach to its MTFS and provides updates through annual budget reports submitted to Cabinet. Assumptions for council tax and business rates in the MTFS are reasonable and are included in the budget after consultation with key stakeholders including residents and local businesses. The Council also undertakes sensitivity analysis for budgetary assumptions by building in various scenarios for pay awards, contract variations and energy inflation into the budgeting process.

The Council could benefit from also sharing other scenarios (i.e. best case or medium case) as part of the budget process. There is implicit reference to this analysis in the Section 151 Officers risk statement however a clearer statement might benefit members when making budget decisions. We have made an improvement recommendation in this respect.

Conclusion

The Council's financial outturn for 31 March 2020 was in line with expectations and there was little impact of Covid-19. It has continued to meet budget in subsequent year and ended 2022/23 with a substantial level of reserves. It set a balanced budget for 2023/24.

The MTFP beyond this shows some financial pressure. Despite this we are satisfied that the Council remains in a stable financial position.

The work we have completed on the review of the Council's finances have not identified any material weaknesses in their ability to manage finances across the short and medium term.

9. Value for Money

Significant risk – Financial statements - Findings

Financial statements 2019-20

Context
The financial framework for reporting local government accounts is complex requiring the Council to account under both IFRS and on a resource accounting basis. Since 2020 there has also been a significant change in auditing standards. In particular, ISA 540 Auditing was introduced requiring additional emphasis on significant estimates including valuations and pensions. The audit of the 2019-20 financial statements has been undertaken to a greater depth than in prior years.

The Council's accounts are more complex than most councils due to its significant group structure. This increased complexity has been challenging for the Council and for ourselves as auditors. In particularly, the accounting for UKBIC has been complex and the subject of a significant level of debate.

2020 was a year when the country was particularly impacted by COVID 19. This impacted on the ability of the councils to produce financial statements and on valuers to undertake their work. At most councils this impacted on the quality and depth of valuation. Discussions with officers have indicated that this impacted significantly on the Council's processes.

We also note that our audit has taken place over a considerable period. During this period national issues have arisen such as how to value infrastructure assets.

The above issues have impacted on the quality of accounts presented for audit, the time taken to resolve accounting issues, and the length of the audit.

Audit findings and conclusion
We began our audit in July 2020 and completed our work in May 2023. The audit has been difficult for both ourselves and the Council. We reported out findings to the Council in November 2020 and September 2021. We provided a verbal update to the Council Audit Committee in January 2023.

We note that the financial statements presented for audit included material misstatements in both the Council's accounts and in the Group accounts. The accounts were adjusted as follows:

Council
2019/20 Deficit on provision of surplus £9.3m changed to a surplus of £44.0m; 2018/19 Deficit on provision of services of £14.5m changed to a surplus of £3.4m
2019/20 and 2018/19 Useable reserves – no significant change. Unadjusted errors in provision of c£5.5m (increase in reserves)
2019/20 unusable reserves increased from £202.6m to £368.1m; 2018/19 unusable reserves increased from £204.5m to £315.7m
2019/20 net assets increased from £346.7m to £512.3m; 2018/19 net assets increased from £336.0m to £447.2m.

Group
2019/20 Group deficit changed from a £8.5m deficit to £71.0m surplus; 2018/19 Group deficit changed from a £7.2m deficit to a £1.5m surplus
2019/20 Useable Reserves increased from £144.2m to £161.2m; 2018/19 Useable reserves increased from £131.5m to £138.7m
2019/20 unusable reserves increased from £157.9m to £373.9m; 2018/19 unusable reserves increased from £160.9m to £291.8m
2019/20 net assets increased from £302.0m to £535.1m; 2018/19 net assets increased from £292.4m to £430.5m.

.

9. Value for Money

Significant risk – Financial statements - Findings

Financial statements 2019-20 continued

Audit findings and conclusion
The changes to the accounts are due to a number of factors but primarily these are asset valuation and group company accounting and valuation. These are detailed elsewhere in this report and are not repeated here. We have concluded that:

- the Council's arrangements for the valuation of and accounting for its property were not adequate. We have made recommendations with regard to the improvements needed
- The Council lacked sufficient capacity within its finance team to fully understand the accounting implications of its group accounting relationships. We note that the Council has subsequently responded to this matter.

In making these comments we note the following:

- 2019/20 saw an increased level of audit and this placed additional pressure on the Council due to the higher standards they have been held to
- The accounts and property valuations were prepared during a period of pandemic. Discussions with officers have indicated that this impacted significantly on the Council's processes
- national issues such as infrastructure assets have arisen during the audit and this has also caused delay
- on occasion, we have also needed to pause our work to focus on other clients.

While taking these matters into account we consider that the Council's arrangements particularly with regard to valuations and group accounts were not adequate.

Conclusion

Due to the significant issues identified with the 2019-20 financial statements we have concluded that the Council did not have in place appropriate management arrangements for the preparation of its financial statements

10. Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council’s Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Details of fees charged are detailed in Appendix D

10. Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council during the period the 2019/20 audit has been open. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Type of Non-audit Service	Fees						Threats identified	Safeguards
	18/19	19/20	20/21	21/22	22/23	Total		
Audit-related:								
Certification of Teachers Pension Return	£4,200	£4,200	£6,000	£7,500	TBC	£21,900	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management (because GT report to Teachers Pensions)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the annual fee for this work is low in comparison to the total annual fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. To mitigate against the self-review threat , we typically carry out the certification work after the audit has completed wherever possible. Errors identified have not been and are not expected to be material. The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. These factors mitigate the perceived threats to an acceptable level.
Certification of Housing Benefit Claim	£38,000	£40,000	£69,861	£60,000 (estimated)	£86,350 (estimated)	£294,211	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management (because GT report to DWP)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the annual fee for this work is low in comparison to the total annual fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. To mitigate against the self-review threat , the timing of certification work is carried out after the audit has completed where possible. Housing Benefit subsidy is a material figure in the accounts, however the level of errors identified have not been, and are not expected to be material. The Council has informed management who decide whether to amend returns for our findings and agree the accuracy of our reporting. Any changes to subsidy payable will be determined by DWP and we have no involvement in the decision. These factors mitigate the perceived threats to an acceptable level.
Follow up work by DWP (Module X) 2018/19	£5,000	-	-	-	-	£5,000		

10. Independence and ethics

Audit and Non-audit services (continued)

Type of Non-audit Service	Fees						Threats identified	Safeguards
	18/19	19/20	20/21	21/22	22/23	Total		
Audit-related:								
Certification of Innovate UK grant claims in relation to Battery Industrialisation Centre (from April 2019 for 18 months)	£7,900	£15,800	£6,000	-	-	£29,700	Self-review (because GT provides audit services)	The level of this non-recurring fee taken on its own is not considered a significant threat to independence as the annual fee was low in comparison to the total annual audit fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
EU funding for Urban Innovative Actions (UIA) grant received for the Council in 2017/18. This certification was requested and paid for by UIA for a cost of 9,600 Euros.	€ 9,600	-	-	-	-	€ 9,600	Self-review (because GT provides audit services)	We have carried out grant certification services on behalf of GT France in respect to EU funding for UIA grant received for the Council in 2017/18. This certification was requested and paid for by UIA for a cost of 9,600 Euros. To mitigate against the self-review threat , the timing of certification work is done after the audit was completed and was completed under the direction of GT France, who are independent from the Council audit team.

A. Action plan – Audit of Financial Statements

In additional to the recommendations under Section 24 of the Local Audit and Accountability Act we have identified 4 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 and 2021/22 audits. 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 impact	The Council's group is gaining complexity and appropriately accounting for activity and balances independently from both a single entity and group perspective is increasingly challenging and at risk of material error.	We recommend that management strengthens the capacity within its finance team and implements standardised practices and procedures to appropriately account for the impact of the evolving activity within the group. Including, but not limited to: issuing group instructions for year-end reporting; recording group transactions and balances on ledger; maintaining a fixed asset register for group PPE; adopting a suitable valuation schedule and engaging experts to provide valuations for group property and for the valuation of the long-term investments in companies. We recommend management looks to harmonise the year-end reporting dates and accounting frameworks of its subsidiaries and joint ventures and establish an agreed-upon reporting structure and timetable with those bodies to ensure timely receipt of required information. **Management response** Steps have already been taken to strengthen capacity within the finance team and some of the individual recommended elements are already in place. The increased team capacity will enable the Council to work through the implications of the remaining outstanding elements which will include working within the framework of the Council's newly adopted company structure to identify the most effective and streamlined accounting approaches for the evolving company structure.
High impact	The valuation of property assets do not accurately reflect the usage and proposed usage of properties held by the Council leading to material error in valuation .	In prior audit findings reports we recommended that management should regularly reconcile the asset register with estate records held by the property team. We extend this recommendation to include a regular review of all relevant Local Plans identified as having an impact on local areas in which the Council owns land and ensure this is considered in the valuation of affected land assets. **Management response** The recommended approach for reconciling the asset register with property estates records is consistent with the Council's existing approach and we would expect the future valuation approach to incorporate the impact of Local Plans.
High impact	The valuation of property assets incorporate a wide range of assumptions, source data and judgements.. Errors in these variables can and have resulted in materially misstated valuations of property assets.	We recommend that management conducts a thorough review of the valuations provided by their valuations expert to ensure that the source data used by the valuer is factually accurate and assumptions and judgements are appropriate. **Management response** Management will work with the Council's valuations expert to ensure accurate factual data and appropriate judgements and assumptions are used.

A. Action plan – Audit of Financial Statements

We have identified 3 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 and 2021/22 audits. 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 impact	During a review of the control access performed by the IT audit team for the 2020/21 audit, it was identified that there were a small number of finance staff who had privileged administrative access rights within Business World. This presented a heightened opportunity risk for fraud and required substantial work to be performed by the engagement team to gain reasonable assurance over this area. As the 2019/20 audit remained open at this point, this issue was also addressed in 2019/20.	We recommend that the Council reviews the administrative access allowed to finance staff through Business World. The Council should ensure that adequate controls are in place to ensure segregation of duties and to prevent fraud. **Management response** Management's view is that the current structure provides significant benefits in the form of an integrated and efficient approach to financial systems administration. We recognise however that this also provides a sub-optimal position with regard to system controls. We will review the current structure of system access to examine whether this can be changed to provide an improved control environment.

Appendix A

A. Action plan – Audit of Financial Statements

We identified the following issues in the audit of Coventry City Council's 2018/19 financial statements, which resulted in 3 recommendations being reported in our 2018/19 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Lack of reconciliation between the property database and asset register** Our audit work on understanding the businesses processes and property plant equipment valuation controls it was noted that there is no formal reconciliation carried out between the Estates team's property database and the Council's Asset register.	• We recommend that a reconciliation between the Estates team property database and Council's Asset Register is carried out at least annually **Response** • The Council have implemented this reconciliation and have carried out for 2018/19.
✓	**Valuation of investment properties** We note that the Council does not value all of its investment properties on an annual basis. We do not consider that this is compliant with the CIPFA Code and brings a risk that asset values could be misstated.	• We recommend that all investment properties are valued on an annual basis. **Response** • The Council consider their approach to valuation of investment properties is reasonable and will not lead to material misstatement • The Council have used a similar approach in 2019/20 and we are satisfied that the valuation of Investment Property is free from material misstatement
✓	**Valuation of PPE – School Assets** Our work identified that for school assets that were not revalued in year, if indexation was applied that there would be a material difference in the school asset valuation. As a result the Council have undertaken a further revaluation of school assets to ensure that the valuation of school assets are not materially misstated. In undertaking this assessment the Council identified an error in its valuation methodology.	We recommend that the Council; • Reviews all investment methodologies to ensure that they are compliant with RICS guidance • For assets not valued in year, considers the whether the value needs to be altered for movements in market prices, building costs etc.. **Response** • The Council have undertaken a revaluation of school assets in line with RICS and DfE guidance and have demonstrated that the valuation of assets is £1m different to what is shown in the financial statements and have concluded that this is not material to the financial statements.

Assessment

✓ Action completed

X Not yet addressed

B. Audit Adjustments

Contents

Bi. Overview of Audit Adjustments

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

The tables below show the audit adjustments management have made to the 2019/20 and 2018/19 transactions and balances.

Council Accounts	CIES	Balance sheet	Reference
	Surplus (£m)	Net Assets (£m)	
at 1 April 2018	90.130	90.130	Bii.
2018/19	21.018	111.147	Biii.
2019/20	54.396	165.545	Biv.
Cumulative	165.545	165.545	

Group Accounts	CIES	Balance sheet	Reference
	Surplus (£m)	Net Assets (£m)	
at 1 April 2018	118.390	118.390	Bv.
2018/19	19.608	137.998	Bvi.
2019/20	94.439	232.437	Bvii.
Cumulative	232.437	232.437	

Bi. Overview of Audit Adjustments- Council

The following tables show the impact of the audit adjustments on the amounts presented in the draft accounts and how these reconcile to the final accounts.

2018/19 Council Accounts:

2018/19 Council Accounts		Balance sheet 1 April 2018				
	Refer to:	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The results per the Council's 2018/19 financial statements were:		123.760	1,169.619	(111.779)	(893.879)	(287.721)
Adjusted misstatements	Bii	-	90.130	-	-	(90.130)
The final results per the Council's restated financial statements are:		123.760	1,259.749	(111.779)	(893.879)	(377.851)

2018/19 Council Accounts		CIES	Balance sheet 31 March 2019				
	Refer to:	(Surplus) (£m)	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The results per the Council's 2018/19 financial statements were:		(48.308)	143.077	1,238.096	(141.906)	(903.238)	(336.029)
Adjusted misstatements	Biii	(21.018)	-	111.147	-	-	(111.147)
The final results per the Council's restated financial statements are:		(69.328)	143.077	1,349.246	(141.906)	(903.238)	(447.179)

Bi. Overview of Audit Adjustments- Council

2019/20 Council Accounts:

2019/20 Council Accounts		CIES	Balance sheet 31 March 2020				
	Refer to:	(Surplus) (£m)	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The draft results per the Council's financial statements were:		(10.713)	148.741	1,291.404	(154.563)	(938.840)	(346.742)
Adjusted misstatements	Biv	(54.394)	-	165.544	-	-	(165.544)
The final results per the Council's financial statements are:		(65.109)	148.743	1,456.948	(154.563)	(938.840)	(512.288)

Bi. Overview of Audit Adjustments- Group

2018/19 Group Accounts:

2018/19 Group Accounts		Balance sheet 1 April 2018				
	Refer to:	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The results per the Council's 2018/19 financial statements were:		128.771	1,127.522	(113.058)	(894.067)	(249.168)
Adjusted misstatements	Bv	(0.817)	118.994	0.313	(0.100)	(118.390)
The final results per the Council's restated financial statements are:		127.954	1,246.516	(112.745)	(894.167)	(367.558)

2018/19 Group Accounts		CIES	Balance sheet 31 March 2019				
	Refer to:	(Surplus) (£m)	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The draft results per the Group's financial statements were:		(43.212)	148.364	1,190.644	(143.220)	(903.408)	(292.380)
Adjusted misstatements	Bvi	(19.608)	(1.894)	139.897	(0.005)	-	(137.998)
The final results per the Group's financial statements are:		(62.820)	146.470	1,330.541	(143.225)	(903.408)	(430.378)

Bi. Overview of Audit Adjustments- Group

2019/20 Group Accounts:

2019/20 Group Accounts		CIES	Balance sheet 31 March 2020				
	Refer to:	**(Surplus) (£m)**	**Current Assets (£m)**	**Long Term Assets (£m)**	**Current Liabilities (£m)**	**Long Term Liabilities (£m)**	**Reserves (£m)**
The draft results per the Group's financial statements were:		(9.633)	156.908	1,250.069	(161.337)	(943.627)	(302.013)
Adjusted misstatements	Bvii	(94.439)	0.065	233.395	(0.411)	(0.612)	(232.437)
The final results per the Group's financial statements are:		(104.072)	156.973	1,483.464	(161.748)	(944.239)	(534.450)

Bii. Audit adjustments made to earlier years as reflected in the balance sheet as at 1.4.2018- Council

	Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr	Cr
		£m		£m		
1. Incorrect assumptions in the valuation of Local Plan land assets	Investment Property	83.604		-	-	-
2. Incorrect valuation approach- insurance rebuild cost approach	Other land & buildings	10.592		-	-	-
3. Incorrect valuation methodology- rateable value used as a proxy for rent	Other land & buildings	6.503		-	-	-
4. Incorrect valuation assumptions- Fairfax Leisure Centre		-	Other land & buildings	16.948	-	-
5. Arena land missed in valuation 31.3.18	Surplus assets	3.830		-	-	-
6. Incorrect historic gross accounting for revaluations	Other Land & buildings- gross book value	379.770	Other land & buildings- gross depreciation & impairment	379.770	-	-
7. Incorrect lease assumptions in valuation of property	Investment Property	2.549		-	-	-
Total		**486.848**		**396.718**	-	-
	Net	**90.130**				

In summary, the adjustments have resulted in an increase in the Council's net assets as at 1 April 2018 of £90.130m.

The adjustments have resulted in a £90.130m increase in the Council's unusable reserves as at 1 April 2018. There is no impact on the General Fund or other usable reserves.

Biii. Audit adjustments made to the 2018/19 prior year Council accounts

	Council Accounts								Usable Reserves	
	CIES				Balance Sheet					
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
1. Incorrect deduction of acquisition costs in valuation of investment property		-	Finance and Investment income	9.199	Investment Property	9.199		-	-	-
2 Incorrect assumptions in the valuation of schools		-	Revaluation gains	13.476	Other land & buildings	13.476		-	-	-
3. Waste disposal asset derecognised in 2019/20 should have been in prior year	Other operating expenditure	1.152		-		-	Property, plant & equipment	1.152	-	-
4. Various PPE adjustments which are individually trivial	Total comprehensive income	1.368		-		-	Property, plant & equipment	1.368	-	-
5. Gains and losses on derecogniition of PPE misclassified on CIES	Other operating expenditure	17.958	Net cost of services	17.958		-		-	-	-
6. Incorrect assumptions in the valuation of Local Plan land assets		-	Finance and Investment income	5.086	Investment Property	88.689		-	-	-
7. Incorrect classification for battery plant site		-		-	Operational Property - assets under construction	28.536	Investment Property - assets under construction	28.536	-	-
8. Incorrect valuation approach- insurance rebuild cost approach		-	Revaluation gains	1.022	Other land & buildings	11.614		-	-	-
9. Incorrect lease assumptions in valuation of property		-	Finance and investment expense	0.048	Investment Property	2.597			-	-

Biii. Audit adjustments made to the 2018/19 prior year Council accounts

	Council Accounts								Usable Reserves	
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
10. Incorrect valuation methodology- rateable value used as a proxy for rent	Revaluation losses	0.052			Other land & buildings	6.451		-	-	-
11. Incorrect valuation assumptions- Fairfax Leisure Centre			Revaluation gains	0.774		-	Other land & buildings	16.174	-	-
12 Arena land missed in valuation 31.3.18		-		-	Surplus assets	3.830		-	-	-
13. Incorrect historic gross accounting for revaluations		-		-	Other Land & buildings- gross book value	379.770	Other land & buildings- gross depreciation & impairment	379.770	-	-
14. UKBIC REFCUS adjustment posted in 19/20 should be 18/19	Net cost of services	6.015		-		-	Assets under construction	6.015	-	-
15. Incorrect accounting treatment of school asset revaluations	Net cost of services	6.249	Other comprehensive income (RR)	6.249						
Total		**32.794**		**53.812**		**544.162**		**433.015**	-	-
			Net	**21.018**	**Net**	**111.147**				

In summary, the adjustments have resulted in a net increase in the Council's 2018/19 total comprehensive income of £21.018m and an increase in the Council's net assets as at 31 March 2019 of £111.147m.

The adjustments have resulted in a £111.147m increase in the Council's unusable reserves as at 31 March 2019. There is no impact on the General Fund or other usable reserves.

Biv. Audit adjustments made to the 2019/20 Council accounts

	Council Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
1. Double counting of stamp duty in modern equivalent land valuations	Cost of Services (revaluation losses)	1.329		-		-	Other land & buildings	2.415	-	-
	Other Comprehensive Income	1.086		-		-		-	-	-
2 Incorrect assumptions in the valuation of schools (in-year)		-	Revaluation gains	11.098	Other land & buildings	11.098		-	-	-
(prior year impact on current year)	Revaluation losses	12.108			Other land & buildings (b/f)	12.108	Other land & buildings (in-year)	12.108	-	-
3. Community asset (University Square) not owned by the Council	Loss on Disposal	1.211		-		-	Community Assets	1.211	-	.
4. Gains and losses on derecogniition of PPE misclassified on CIES	Other operating expenditure	13.602	Net cost of services	13.602		-		-	-	-
5. Incorrect assumptions in the valuation of Local Plan land assets			Finance and Investment income	5.183	Investment Property	93.873			-	-
6. Incorrect classification and accounting for battery plant site		-	Finance and investment expense	42.152	Operational Property - assets under construction	60.352	Investment Property - assets under construction	18.200	-	-

Biv. Audit adjustments made to the 2019/20 Council accounts

	Council Accounts								Usable Reserves	
	CIES				Balance Sheet					
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
7. Incorrect valuation approach- insurance rebuild cost approach			Revaluation gains	0.526	Other land & buildings	12.140		-	-	-
8. Incorrect lease assumptions in valuation of property		-	Finance and investment expense	1.872	Investment Property	4.469			-	-
9. Incorrect valuation methodology- rateable value used as a proxy for rent	Revaluation losses	0.136		-	Other land & buildings	6.316		-	-	-
10. Incorrect valuation assumptions- Fairfax Leisure Centre	Revaluation losses	1.398		-		-	Other land & buildings	17.572	-	-
11 Arena land missed in valuation 31.3.18					Surplus assets	3.830			-	-
12. Incorrect historic gross accounting for revaluations					Other Land & buildings- gross book value	378.258	Other land & buildings- gross depreciation & impairment	378.258	-	-
13.Adoption of CIPFA override on infrastructure asset accounting		-	Other operating expenditure	12.865	Infrastructure assets	12.865		-	-	-

Biv. Audit adjustments made to the 2019/20 Council accounts

	Council Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
14. Incorrect deduction of acquisition costs in valuation of investment property opening balance	Finance and Investment income	9.199			Investment Property (b/f)	9.199	Investment Property (in-year)	9.199	-	-
15. UKBIC REFCUS adjustment posted in 19/20 should be 18/19		-	Net cost of services	6.015		-		-	-	-
16. Waste disposal asset derecognised in 2019/20 should have been in prior year		-	Other operating expenditure	1.152		-		-	-	-
17. Incorrect accounting treatment of school asset revaluations	Other comprehensive income (RR)	6.249	Net cost of services	6.249						
Total		**46.318**		**100.714**		**604.508**		**438.963**	**-**	**-**
			Net:	**54.396**	**Net:**	**165.545**				

In summary, the adjustments have resulted in a net increase in the Council's 2019/20 total comprehensive income of £54.396m and an increase in the Council's net assets as at 31 March 2020 of £165.545m.

The adjustments have resulted in a £165.545m increase in the Council's unusable reserves as at 31 March 2020. There is no impact on the General Fund or other usable reserves.

Bv. Audit adjustments made to earlier years as reflected in the balance sheet as at 1.4.2018- Group

	Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr	Cr
		£m		£m		
Impact of adjustments in Council accounts also reflected in Group accounts (from Bii)	Net Assets	486.848	Net Assets	396.718	-	-
1. CSWDC- updated waste plant valuation not accounted for			Investments in JVs	2.174		
2. CSWDC- incorrect calculation of the investment in JV- exclusion of initial consideration	Investments in JVs	9.950				
3. CAPL- incorrect classification and valuation of hotel in group accounts	Other land & buildings	28.207	Investment Property	7.035		
4. CAPL- incorrect treatment of goodwill on acquisiton	Intangible assets	3.648				
5. CAPL- intragroup balance not eliminated			Long Term Debtors	4.472		
6. Incorrect split between unusable and usable group reserves	Unusable reserves	5.585	Usable reserves	5.585		5.585
7. Various adjustments which are individually trivial		0.136				
Total		**534.374**		**415.984**	-	-
	Net	**118.390**				

In summary, the adjustments have resulted in an increase in the group's net assets as at 1 April 2018 of £118.390m.

The adjustments have resulted in a £5.585m increase in the usable group reserves and a £112.805m increase in unusable group reserves as at 31 March 2019. There is no impact on the General Fund.

Bvi. Audit adjustments made to the 2018/19 prior year Group accounts

	Group Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
Impact of adjustments in Council accounts also reflected in Group accounts (from Biv)	CIES	32.794	CIES	53.812	Net Assets	544.162	Net Assets	433.015	-	-
1. CSWDC- updated waste plant valuation not accounted for		-		-		-	Investments in JVs	2.746	-	-
2. CSWDC- incorrect calculation of the investment in JV- exclusion of initial consideration		-		-	Investments in JVs	9.950			-	-
3. CAPL- incorrect classification and valuation of hotel in group accounts		-		-	Other land & buildings	28.688	Investment Property	7.333	-	-
4. CAPL- incorrect treatment of goodwill on acquisiton		-		-	Intangible assets	3.648			-	-
5. CAPL- intragroup transactions and balances not eliminated	Cost of Services	1.859		-		-	Long Term Debtors	4.604	-	-

Bvi. Audit adjustments made to the 2018/19 prior year Group accounts

	Group Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	**Dr**		**Cr**		**Dr**		**Cr**		**Dr**	**Cr**
		£m		**£m**		**£m**		**£m**		
6. Incorrect split between unusable and usable group reserves		-		-	Unusable reserves	7.031	Usable reserves	7.031	-	7.031
7. Intragroup dividends not eliminated for CSWDC and CAPL	Finance and investment income	7.540		-		-		-	-	-
8. Gain/Loss on revaluation of financial instruments incorrectly included the purchase cost of FJVPL as a loss		-	Gain/Loss on revaluation of financial instruments	10.495		-		-	-	-
9. Incorrect calculation of share of OCI of joint ventures	Share of OCI of JV's	3.009		-		-		-	-	-
10. Various adjustments which are individually trivial		-		0.503		-		0.752	-	-
Total		**45.202**		**64.810**		**593.479**		**455.481**	**-**	**7.031**
			Net:	**19.608**	**Net:**	**137.998**				

In summary, the adjustments have resulted in a net increase in the group's 2018/19 total comprehensive income of £19.608m and an increase in the group's net assets as at 31 March 2019 of £137.998m.

The adjustments have resulted in a £7.031m increase in the usable group reserves and a £130.967m increase in unusable group reserves as at 31 March 2019. There is no impact on the General Fund.

Bvii. Audit adjustments made to the 2019/20 Group accounts

	Group Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
Impact of adjustments in Council accounts also reflected in Group accounts (from Bii)	CIES	46.318	CIES	100.714	Net Assets	604.508	Net Assets	438.963	-	-
1. CSWDC- updated waste plant valuation not accounted for	Share of JV OCI	1.956		-		-	Investments in JVs	1.956	-	-
2. CSWDC- incorrect calculation of the investment in JV- exclusion of initial consideration					Investments in JVs	9.566				
3. UKBIC- equipment leased from Council to company not on group balance sheet & elimination of related REFCUS		-	Cost of Services	35.930	Property, plant and equipment	32.697		-	-	-
4. UKBIC- elimination of intragroup expenditure previously consolidated			Cost of Services	6.760						
5. UKBIC- impairment of intangible adjustment to bring in line with Council's intangibles policy	Finance and investment expenditure	1.659					Property, plant and equipment	1.169		
6. CAPL- incorrect classification and valuation of hotel in group accounts		-		-	Other land & buildings	29.342	Investment Property	7.848	-	-
7. CAPL- incorrect treatment of goodwill on acquisiton					Intangible assets	3.648			-	-
8. CAPL- intragroup transactions and balances not eliminated	Cost of services	1.110					Long Term Debtors	4.188		

Bvii. Audit adjustments made to the 2019/20 Group accounts

	Group Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
9. CAPL- FV loss on company investment not eliminated			Loss on revaluation of financial instruments	3.969						
10. TWW- incorrect treatment of goodwill on acquisiton					Intangible assets	7.806			-	-
11. TWW- acquisition costs incorrectly netting down gain on revaluation			Gain/Loss on revaluation of financial instruments	10.688						
12. TWW March 2020 income and expenditure not consolidated into group accounts	Cost of Services	0.987	Cost of Services	0.987					-	-
13. Incorrect calculation of share of OCI of joint ventures	Share of OCI of JV's	8.242								
14. Gain/Loss on revaluation of financial instruments incorrectly included the FV movement on the CAPL LTI as a loss- intragroup	Gain/Loss on revaluation of financial instruments	3.969								
15. Incorrect split between unusable and usable group reserves					Unusable reserves	16.406	Usable reserves	16.406		16.406
16. Various adjustments which are individually trivial		0.368						1.006		
Total		**64.609**		**159.048**		**703.973**		**471.536**	**-**	**16.406**
			Net:	**94.439**	**Net:**	**232.437**				

In summary, the adjustments have resulted in a net increase in the group's total comprehensive income for 2019/20 of £94.439m and an increase in group's net assets as at 31 March 2020 of £232.437m.

The adjustments have resulted in a £16.406m increase in usable group reserves and an increase of £216.031m in unusable group reserves as at 31 March 2020. There is no impact on the General Fund.

Bviii. Unadjusted misstatements

Impact of unadjusted misstatements

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

Council Accounts 2019/20

		Council Accounts					
		CIES		Balance Sheet		Reserves	
Detail	Type	Dr	Cr	Dr	Cr	Dr	Cr
		£m	£m	£m	£m		
1. During an exercise performed by the council around Heritage Assets Valuations, it was noted that additions to Heritage Assets had not been included within the balance sheet.	Factual	-	Cost of services 0.960	Long Term Assets 0.960	-	-	-
2. Following errors identified within investment property valuations, the Council have performed an exercise to identify whether there are any material issues with valuations where updated leases have not been considered. The error noted here is a maximum potential error and has been calculated using high level comparison.	Estimate	-	Revaluation gains 1.923	Long Term Assets 1.923	-	-	-
3. Following work performed around the historic depreciation adjustment, it was noted that there were discrepancies for these assets between reserve lines (CAA & Reval Reserve) of £1.6m in 2019/20. No impact to other primary statement lines noted.	Factual	-	-	-	-	1.600	1.600
4. The Council have a land subcategory within Infrastructure Assets. It was noted during review that the council have depreciated this land which is in contradiction with IAS16 & CIPFA Code 4.1.2.40. There is uncertainty due to lack of historical records on infrastructure assets about what the land item is.	Uncertainty	-	Cost of Services 2.896	Long Term Assets 2.896	-	-	-
5. Depreciation for infrastructure assets- outside CIPFA suggested useful lives range	Estimate	-	Cost of Services 0.700	Long Term Assets 0.700	-	-	-

Bviii. Unadjusted misstatements

		Council Accounts					
		CIES		Balance Sheet		Reserves	
Detail	Type	Dr	Cr	Dr	Cr	Dr	Cr
		£m	£m	£m	£m		
7. Bad debt provision- our audit work in this area estimates an overstatement of both the Council Tax bad debt provision (£1.4m) and Housing Benefits provision (£1.2m)	Estimate	-	Cost of Services 2.600	-	Short term debtors 2.600	-	-
8. Business rates appeals provision- our audit work estimates this provision may be overstated by £2.9m but it is difficult to be certain of given the unpredictability of appeals and decisions.	Estimate	-	Cost of Services 2.900	-	Provisions 2.900	-	-
2019/20 Total		**-**	**11.979**	**6.479**	**5.500**	**1.600**	**1.600**
			Net: 11.979	**Net: 0.979**			**-**

Bviii. Unadjusted misstatements

Group Accounts 2019/20

			Group Accounts					
			CIES		Balance Sheet		Reserves	
Detail	Type	Year	Dr	Cr	Dr	Cr	Dr	Cr
			£m	£m	£m	£m		
Impact of adjustments in Council accounts also reflected in Group accounts (from preceding table)		2019/20	CIES -	CIES 11.979	Net Assets 6.479	Net Assets 5.500	1.600	1.600
1. Land and Building Assets are held at historic cost less depreciation within the single entity accounts of Tom White Waste Limited at £6,151k. Upon consolidation, the assets should be valued at current value in line with the council's accounting policies. The fair value of L&B at TWW is £5,185k.	Estimate	2019/20	Revaluation losses 0.966	-	-	Long Term Assets 0.966	-	-
2019/20 Total			**0.966**	**11.979**	**6.479**	**6.466**	**1.600**	**1.600**
Net				**11.013**		**-0.013**		**-**

Bviii. Unadjusted misstatements

Council and Group Accounts 2018/19

		Council Accounts					
		CIES		Balance Sheet		Reserves	
Detail	**Type**	**Dr**	**Cr**	**Dr**	**Cr**	**Dr**	**Cr**
		£m	**£m**	**£m**	**£m**		
1. Following work performed around the historic depreciation adjustment, it was noted that there were discrepancies for these assets between reserve lines (CAA & Reval Reserve) of £3.9m in 2018/19 No impact to other primary statement lines noted.	Factual	-	-	-	-	3.900	3.900
2 Community asset (University Square) not owned by the Council- adjusted for in 2019/20 but extends to prior years	Factual	Loss on disposal 1.211			Long Term Assets 1.211	-	-
2018/19 Total		**1.211**	**-**	**-**	**1.211**	**3.900**	**3.900**
Net			**- 1.211**		**1.211**		**-**

Bix. Misclassification and disclosure changes

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.

Number	Issue	Amended	Management's reason for not adjusting
1	CIES- Fair value movements on investment property - the fair value movement was incorrectly classified in the CIES in Net Cost of Services and should have been shown as Finance and Investment Income and Expenditure. The amount adjusted was £8.3m.	Yes	N/A
2	Movement in Reserves Statement- Following the significant adjustments to the primary statements, further adjustments to the MiRS and related notes were required for 19/20 and 18/19. There remains a non-material discrepancy (£861k) in the 2018/19 accounts relating to a difference between PPE derecognitions and PPE revaluations. As the remaining error is not material, a prior period adjustment is not required.	Yes	As the remaining error is not material, a prior period adjustment is not required.
3	Cash Flow Statement and related notes- the 'Other receipts from investing cash flows' was overstated by £75m. Following the significant adjustments to the primary statements, further adjustments to the Cash Flow Statement and notes were required in both the Council's accounts and the Group accounts.	Yes	N/A
4	Disclosure note impact of audit adjustments- the audit adjustments detailed in the previous tables had impacts across related disclosure notes including: - Notes to the CIES including the Expenditure and Funding Analysis (EFA) - Unusable Reserves - Adjustments between Accounting Basis & Funding Basis under Regulations - PPE - Non-Operational Assets - Capital Expenditure and Capital Financing - Revaluation of PPE - Group accounts and supporting notes	Yes	N/A
5	Group MiRS - this was not presented in accordance with accounting requirements.	Yes	N/A
6	Group Accounts- where a line item in the primary financial statements of the group differs materially to the same line item in the Council's single entity accounts, a full disclosure note should be made in the group accounts to support. Improvements were made in this area; the Council included a Group PPE note and various other notes.	Yes	N/A
7	The Collection Fund Statement shows correct precept figures for West Midlands Police (£12.5m) and West Midlands Fire (£5.1m) . The sub note of precepts further down in the disclosure showed these the wrong way round.	Yes	N/A
8	Narrative report- updated to provide reflections up to the date of the audit close.	Yes	N/A
9	Annual Governance Statement - the Council's assessment of the effectiveness of controls in Tom White Waste Limited were not disclosed. A wider update was required to the AGS ro reflect the difficulties faced in the 2019/20 accounts audit.	Yes	N/A

Bix. Misclassification and disclosure changes

Number	Issue	Amended	Management's reason for not adjusting
10	Material Uncertainty disclosures were required around asset valuations and pension liability valuation.	Yes	N/A
11	Group disclosures- the group PPE notes do not contain the following disclosure points required by the Code: 1) the amount of contractual capital commitments for the acquisition of PPE (non-Council group bodies only) 2) effective dates of group PPE valuations, details of the valuer used, the methods and significant assumptions applied. The disclosures should be enhanced to meet the requirements of the Code.	No	It is the Council's view that this omission does not prevent these accounts from presenting a true and fair view. We will ensure that future accounts comply with this disclosure requirement.
12	Disclosure requirements not fully met relating to: - financial instruments - fair value measurements The disclosures should be enhanced to meet the requirements of the Code.	No	It is the Council's view that this omission does not prevent these accounts from presenting a true and fair view. We will ensure that future accounts comply with this disclosure requirement.
13	The wording of the disposals accounting policy contained ambiguous terms which may be misleading to the reader.	Yes	N/A
14	Disclosure requirements not fully met in the note 'Significant assumptions made in estimating assets and liabilities' Disclosure improvements are required. The Council should cross refer to the CIPFA Code to ensure that all required disclosures are included.	No	It is the Council's view that this omission does not prevent these accounts from presenting a true and fair view. We will ensure that future accounts comply with this disclosure requirement.
15	IFRS 15 Revenue from contracts with service recipients - disclosures. Authorities should disclose qualitative and quantitative information about the nature, amount, timing and uncertainty of revenue and cash flows generated from contracts with service recipients. The Council has added a split to the table in Note 3.6 Income and Expenditure Analysis to show £70m of the total fees and charges income £87m is revenue of this type. Further disclosure improvements should be made.	Partial	The Council will ensure that future accounts fully comply with this disclosure requirement.

Bix. Misclassification and disclosure changes

Number	Issue	Amended	Management's reason for not adjusting
16	Prior Period Adjustment– Collective Investment Vehicles - In 2018/19 the Council have applied the fair value through other comprehensive income (FVOCI) designation to investments in collective investment vehicles such as the CCLA Property Fund. We do not consider that investments in collective investment vehicles qualify for the election under IFRS 9 to be designated as FVOCI because such investments do not meet the definition of an equity instrument from the issuer's perspective. We recommended that the Council revise their accounting treatment for the Pooled Investment Fund , which has resulted in disclosure changes on the face of the CIES as a result of accounting through FVTPL rather than OCI and the creation of a Pooled Investment Fund Adjustment Account. There is no impact on the overall position of the General Fund for 2018/19 as accounting through the Pooled Investment Fund Adjustment Account offsets the charge to the General Fund Balance, however there has been changes on the face of the CIES. The Council have also restated their Balance Sheet and MiRS to take into account the impact of the transactions through the Pooled Investment Adjustment Account and also updated their group accounts. This amendment has also impacted Note 5.5 Changes in Accounting Policies.	Yes	N/A
17	The Prior Period Adjustments outlined in previous tables required disclosure in accordance with IAS 8, including the presentation of a restated balance sheet as at 1st April 2019. Notes 3.39 and 4.14 were expanded to detail the adjustments made to the prior year.	Yes	N/A

Bix. Misclassification and disclosure changes

Number	Issue	Amended	Management's reason for not adjusting
18	Derecognitions of property, plant & equipment. In-year and prior period adjustment to the PPE note required to correct the gross cost and depreciation balances disclosed. Previously the Council has incorrectly recognised net derecognitions solely in the gross cost section of the PPE note, rather than adjusting for the depreciation element. The corrections required are:	Yes	N/A

	1/4/18	2018/19	2019/20
Infrastructure assets- gross cost	-15.474m	-1.639m	-2.630m
Other Land & buildings- gross cost	-6.915m	-1.885m	-0.409m
Infrastructure assets- gross dpn	-15.474m	-1.639m	-2.630m
Other Land & buildings- gross dpn	-6.915m	-1.885m	-0.409m

Note the infrastructure adjustment is not presented in the final accounts. The presentation of gross figures is no longer required per the temporary relief afforded by an update to the Code- see page 35.

IAS 8 disclosure of the nature and the amount of the PPA was required.

Note this adjustment was impacted by the gross depreciation issue included in the adjustment tables. The amount in the adjustment tables includes the combined impact of the gross depreciation issue and this issue as they are interrelated.

Number	Issue	Amended	Management's reason for not adjusting
19	Note 3.17 - Non-Operational Assets- reclassifications between investment property AUC and investment properties c£3m had been incorrectly classified as additions instead of on the reclassifications line.	Yes	N/A
20	Note 3.17 - Non-Operational Assets- An investment property disposal had been incorrectly reclassified to Assets Held for Sale prior to disposal (value £14.2m). When an investment property is disposed it should remain classified within the investment property class. An amendment was posted to Note 3.17.	Yes	N/A
21	Note 3.19 - Revaluation of Property, Plant and Equipment - the table required amending for a £660k omission in OLB revalued at 31 March 2020. The table also required amending for the various PPE valuation adjustments that we report earlier in the AFR.	Yes	N/A

Bix. Misclassification and disclosure changes

Number	Issue	Amended	Management's reason for not adjusting
22	Contingent Liabilities- University Hospitals mandatory business rates relief- In 2019 the High Court ruled that these trusts' claim for mandatory relief was not valid. In March 2021 the relevant trusts decided not to petition the Court of Appeal in an effort to overturn the High Court's ruling. This marked the end of the legal action and, as result, the Council no longer recognises a contingent liability for this issue.	Yes	N/A
23	Contingent Liabilities- Equal Pay Claims - The Council has received a number of Equal Pay Claims from employees which have now been recorded as a Contingent Liability within the Council's accounts. The first claims were received in February 2023 and could- if successful- represent a liability for the Council affecting 2019/20 and prior years.	Yes	N/A
24	Financial Instruments- the fair value of borrowings held with other local authorities was understated by £22m. The disclosure was amended from £51m to £73m.	Yes	N/A
25	Financial Instruments- amendments were required to the table setting out credit risk of deposits with banks and financial institutions as the original draft note omitted bank accounts held by the Council's schools. The disclosure changed from £46.8m (18/19: 37.3m) to £64.6m (18/19: £63.5m)	Yes	N/A
26	Related Party Transactions- the disclosure note did not accurately represent in-year activity with group entities, in line with our understanding and workings provided by the council for the purposes of the group financial statements. Some amendments were made however improvements are still required such that all intragroup transactions and balances are disclosed. Of particular note is UKBIC Limited: a payment of £9.3m is disclosed but the peppercorn lease transaction for the building (value £60.3m) is not disclosed and neither is the lease transaction for plant and equipment (value £26m)	Yes	N/A
27	Related Party Transactions- the disclosure sets out transactions with companies with which senior officers at the Council had an interest. The companies are not named, and the nature of the interests are not detailed so it is unclear who the related party is and whether the values of transactions and balances are material to the related party. The disclosure should be improved.	No	

Bix. Misclassification and disclosure changes

Number	Issue	Amended	Management's reason for not adjusting
28	Officers' Remuneration- Senior Officers' Remuneration- the Chief Executive's pay was understated due to omission of elements of pay. There were also minor changes to the table which sets out remuneration over £50,000.	Yes	N/A
29	Pension notes - the disclosure did not split the assets by quoted and unquoted. Management amended.	Yes	N/A
30	Associated Company Interests and Holdings- the disclosure note was updated to reflect the audited accounts of the associated companies.	Yes	N/A
31	External Audit Costs- the disclosure required updating for errors and for updated fees	Yes	N/A
32	Events after the reporting date - the disclosure required amending for all significant events occuring since the balance sheet up to the audit signing date along with their impact on the Council.	Yes	N/A
33	Pensions notes- the CIES transactions presented in the note did not include the amounts funded from the upfront pensions payment. A correction was required including to the comparative figures for 2018/19. In both years the amount to be adjusted for is one third of the £93,300k upfront payment, so £31,100k	Yes	N/A

C. Audit 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	£168,414	£353,464*
Total audit fees (excluding VAT)	£168,414	£353,464

*subject to PSAA approval

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services- 19/20 grant certification		
- Housing Benefit Subsidy (19/20)	£30,000	£40,000
- Teachers Pension Return (19/20)	£4,200	£4,200
- Certification of Innovate UK grant claims (19/20)	£15,800	£15,800
Total 19/20 non-audit fees (excluding VAT)	**£50,000**	**£60,000**
Audit Related Services- 18/19 grant certification		
- Housing Benefit Subsidy (18/19)		£38,000
- Teachers Pension Return (18/19)		£4,200
- Certification of Innovate UK grant claims (18/19)		£7,900
- DWP extended work in relation to Housing Benefit Subsidy (18/19)		£5,000
Total 18/19 non-audit fees (excluding VAT)		**£55,100**

The final audit fee payable for the 2019/20 audit has been increased due to the additional audit work required on the issues highlighted in this addendum to the Audit Findings Report.

The fees reconcile to the financial statements.

Grant Thornton (UK) have also carried out grant certification services on behalf of Grant Thornton (France) in respect of EU funding for UIA grant received for the Council in 2017/18. This certification was requested and paid for by UIA for a fee of 9,600 Euros. Since the Council was not liable for the fee, this is not presented in the Council's financial statements.

C. Audit Fees

We confirm below our final fees charged for the audit.

Audit fees	Fee per plan £	Proposed fee £
Council Audit	133,564	133,564
Increased challenge and depth of work	5,000	5,000
Materiality reduction from 1.8% to 1.5%	3,000	3,000
PPE	4,350	37,500
Pensions	3,500	3,500
Coombe Abbey Specialist Valuation	2,500	2,500
Group accounts/Component auditors	5,000	32,500
PPE Valuation – cost of auditor's expert	5,000	15,150
Enhanced regulatory requirements in respect of public interest entities	4,000	4,000
New standards/developments – IFRS16	2,500	0
UKBIC – group accounting, PPAs		19,000
Tom White Waste – group accounts and auditors expert		5,000
Coombe Abbey – derecognition and revaluation		2,500
COVID 19 / Remote working		25,250
Various PPAs including investment property acquisition costs, school componentisation, PPE derecognitions		19,000
Accounts and group accounts amendments (versions 1 to 12)		20,000
Update of previous work for current information (debtors, creditors, provisions, group performance)		3,000
Continued		

C. Audit Fees

We confirm below our final fees charged for the audit.

Audit fees	Fee per plan £	Proposed fee £
Infrastructure assets		5,000
Consultation panels		3,000
VfM update		3,000
Audit Findings Reports (2020, 2021, 2023)		5,000
Subsequent events review		4,000
Potential statutory recommendation		3,000
Total audit fees (excluding VAT)	£168,414	353,464

D. Management Letter of Representation

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Coventry City Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Coventry City Council; its subsidiary undertakings: Coombe Abbey Park Limited, Tom White Waste Limited, UK Battery Industrialisation Centre Limited, Coventry North Regeneration Limited, North Coventry Holdings Limited; and its joint ventures: The Coventry and Solihull Waste Disposal Company Limited and Friargate JV Project Limited for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and we acknowledge the material valuation uncertainty the valuer has noted in the Council's valuation report. This is on the basis of the uncertainties in markets caused by Covid-19 and we are satisfied that there have been no material impairment of asset values as assessed by the valuer. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as *they are immaterial to the results of the Council and its financial position at the year-end* The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

D. Management Letter of Representation

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in Notes 3.39 and 4.14 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention. We are satisfied that the opening balance position of restatement of 1 April 2018 is free from material misstatement.

xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xvi. We have completed a review of the accounting treatment of UKBIC and its consolidation in the group accounts and are satisfied that the position is shown is free from material misstatement.

xvii. We are satisfied that land and property has been appropriately classified and has been valued on an appropriate basis in compliance with the Royal Institute of Chartered Surveyor guidance and the CIPFA Code of Practice of Practice on local authority accounting 2019-20.

xviii. We are satisfied that the valuation of Coombe Abbey in the group accounts complies with the Royal Institute of Chartered Surveyor guidance and the CIPFA Code of Practice on Local Authority Accounting 2019-20.

xix. We have not completed the revaluation of all all investment properties as required by IAS 40, however, we are satisfied that our approach to valuation means that those assets not valued in year are free from material misstatement.

xx. We have not undertaken fair value valuations of the following assets Tom White Waste Limited and Friargate JV Project Limited which are included as Long Term Investments. We are satisfied that the valuation reflected in the financial statements are free from material misstatement

Information Provided

xxi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xxii. We have communicated to you all deficiencies in internal control of which management is aware.

xxiii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxiv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxv. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxvi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxvii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxviii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxix. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxx. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

D. Management Letter of Representation

Narrative Report

xxxi. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Procurement Committee at its meeting on 11 September 2023.

Yours faithfully

Name.................................

Position..............................

Date..................................

Name.................................

Position..............................

Date..................................

Signed on behalf of the Council