

The Audit Findings for Wyre Forest District Council

Year ended 31 March 2023

revised 29 September 2023



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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.

This Audit Findings 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. Its contents will be discussed with management and the Audit Committee.

Laurelin Griffiths
For Grant Thornton UK LLP
25 September 2023

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wyre Forest District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of 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 Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed during July-September. Our findings are summarised on pages 6 to 22. We have identified one adjustment to the financial statements that has resulted in a £2.456m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- Receipt of management representation letter (included within the committee papers); and
- Review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our financial statements audit report opinion will be unqualified. Our work on the Council's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendices to this report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified two risks in respect of Governance:

- We consider that there is a risk of significant weakness associated with management capacity to deliver council priorities and to ensure that there is adequate operation of internal controls and measures in place to detect and prevent fraud.
- We consider that there is a risk of significant weakness associated with delivering the significant capital programme associated with the ongoing capital grants scheme

Our work on these risks is underway and an update is set out in the value for money arrangements section of this report (Section 3). We are not yet in a position to be able to conclude that this risk has been mitigated.

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 have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in December 2023. We are awaiting the NAO to provide the instructions for the whole of Government Accounts, and this may delay the issue of the certificate further.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to progress the audit within a reasonable time frame.

National and local context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Wyre Forest District Council has in recent years invested in property to both support its economic regeneration priorities and as a source of income, and such properties are classified as the council 'Capital Portfolio' assets. The Council holds seven properties, which have been financed by loans. The performance of these properties is reported to the Scrutiny and finance committee as part of the routine reporting. The June 2023 report states that the net income to the council of these properties (after debt charges and MRP) was £4k, against a budget of £30k.

The debt position of the council has increased substantially over the last 10 years with PWLB loans standing at £2m in 2014, increasing to £32m by 2022/23. Clearly there are several reasons why this has increased substantially and property investment in addition to the capital portfolio fund include the new leisure centre, a crematorium, Green street depot, the ICT strategy and the vehicles replacement programme. There is one loan for £1m maturing in 2024 and in total £6m maturing by 2029, with the majority being relatively long-term loans (£16m over 25 years)

The level of debt also needs to be considered in the context of balance sheet assets and the council does have a relatively good level of investments at the year end, with the balance sheet showing the council had £15m of cash and £26m of short-term investments at the year end. The increase in interest rates over the financial year has meant that interest receipts have improved when compared to the prior year resulting in a net cash inflow (interest payments less interest receipts) of £39k compared to a net interest outflow of £913k in the prior year.

Overall, the council investment in the capital portfolio fund is not providing the council with a particularly good return to reflect the risk associated with the debt incurred – albeit the relatively long term of the loans mean that the risk associated with interest rates will not materialise for some time. Other factors include the capital appreciation (or loss) on these assets and the costs of maintaining the assets.

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 Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- 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 not had to alter our audit plan, as communicated to you in May 2023, although an addendum to the plan was issued in July, setting out our assessed VFM risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 27 September 2023. The main outstanding items are set out on page 3 of this report.

Elements of the audit have taken us longer than planned to complete. Such matters include us having to redo some of our work on the pension fund liability as there was an error in the IAS19 report issued by the actuary. We also had to spend longer than planned on the property valuation work as the valuer had not provided clear calculations to support the valuation basis on the items selected. We have yet to finalise both these areas.

We have yet to assess the quantum of additional time taken to complete the audit, and the impact that this might have on the audit fee, but we will discuss this with the S151 Officer shortly.

Acknowledgements

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

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.

Materiality levels remain the same as reported in our audit plan in May 2023

We detail in the table our determination of materiality for Wyre Forest District Council.

	Council Amount	Qualitative factors considered
Materiality for the financial statements	1,000,000	At planning, we determined materiality to be 1.9% of the prior year gross expenditure for the prior year. This is because we consider the council to be relatively low risk due to its size and complexity. At final accounts stage we judged to keep materiality at the same level as at planning.
Performance materiality	750,000	This is based on 75% of materiality. This is because finance management remains relatively stable and we have not identified significant matters in the prior year audit.
Trivial matters	50,000	This is based on 5% of materiality
Materiality for senior officer disclosures	10,000	We consider this note to be sensitive and of particular interest to the users of accounts



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls	<p>We have:</p> <ul style="list-style-type: none">• evaluated the design and implementation of management controls over journals• analysed the journals listing and determined the criteria for selecting high risk unusual journals, considering risk indicators such as: system admin postings; possible indicators of senior officer involvement in journal postings; journals posted at the year end, which would impact on the Council's performance; and others.• used those criteria to identify large and unusual journals which we considered to be higher risk• tested those journals made during the year and the accounts production stage that were identified as unusual for appropriateness and corroboration• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness <p>Our detailed testing did not identify any significant matters.</p>
The expenditure cycle includes fraudulent transactions (not considered a risk)	<p>We have determined that there is not a risk for Wyre Forest District Council because:</p> <ul style="list-style-type: none">• expenditure is well controlled, and the Council has a strong control environment; and• the Council has clear and transparent reporting of its financial plans and financial position to the Council. <p>We therefore did not consider this to be a significant risk for Wyre Forest District Council at our planning stage.</p> <p>Following our detailed audit, we still do not consider that this is a risk.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

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

We have not changed our view following completion of our work.

Valuation of land and buildings

The Council revalues its land and buildings on a rolling five-yearly basis, with assets over £1m valued annually according to the accounting policy. However, in 2022/23 all assets have been revalued.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

As we consider valuation of land and buildings to be a significant risk we have considered the design and implementation of controls associated with the valuation of land and buildings. No weakness was identified from this work

We have undertaken testing of the valuation of land and buildings in line with the audit plan:

- We have considered the qualifications and experience of management expert (Avison Young) to support the council in valuing the assets – and have judged them to be appropriate.
- We have also considered the instructions issued to the Valuer, the information supplied to them and the communication between council management and valuer. No significant concerns were identified from that work
- We identified a sample of valuations for detailed testing based on our assessment of risk principally where we considered the movement to be out of line with our expectations informed by indices provided by the auditor expert.
- We considered the assumptions underlying these valuations and the accuracy of the calculations on this sample of valuations.

We have now finalised this work and identified 1one property where the incorrect area had been used in the valuation. This resulted in an understatement of the valuation. We have undertaken some additional procedures to confirm that this was not indicative of an issue across the population and are satisfied that it isn't. This has been added to the unadjusted misstatements. The main challenges made to the valuer were around the basis of the calculations (as this was not clear in the original evidence supplied) and the treatment of land.

We also noted that Wyre Forest House had been valued on a different basis to prior years to reflect that much of the building is let out and so it is not appropriate to value the whole asset as a specialised asset.

We expect to be able to conclude that the overall estimate of the valuation of land and buildings to be fairly stated. Further detail is contained on page 11 of this report.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability £11.8m (PY £57m)

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

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£11.8m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

In particular the discount and inflation rates, where the council actuary has indicated that a 0.5% change in these two assumptions would have approximately £20m effect on the liability/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

As the valuation of the net pension fund liability is considered to be a significant risk, we have considered the design and implementation of controls. No significant concerns have been identified from our review, although we are arising a recommendation that management should more clearly evidence the operation of controls, such as the checks on the IAS19 reports back to submitted data.

During the audit, the original draft IAS 19 report was found to be inaccurate and was replaced, and the accounts updated. This resulted in a £2.4m adjustment to the liability and to the CIES.

We undertook procedures as set out in the audit plan:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and
- Considered the accounting and governance around the proposed prepayment of pension.

We have now received the assurances from the auditor of the Worcestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. No significant matters have come from that review and we are now able to conclude our work.

We are able to conclude that the council's valuation of pension fund net liability is fairly stated, however we have yet to complete our work.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £63.9m (p/y 69.3m)</p>	<p>Other land and buildings comprises £24.3m of specialised such as leisure centres 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 with £33m is valued on a current value basis and £6.6m valued using Fair Value. The council holds £13.5m of assets within the capital portfolio fund.</p> <p>The Council has again engaged Avison Young to complete the valuation of properties as at 31 March 2023 and all asset were valued during 2022/23.</p> <p>The total year end valuation of land and buildings was £63.9m, a net decrease of £5.4m from 2021/22 (£69.3m). The accounts reflect a £1.4m impairment to reflect that the buildings element of Worcester Street assets have been reduced to £nil to reflect that they are being demolished as part of the Worcester Street development.</p> <p>As part of our testing, we have considered assets where there has been a significant change in valuation.</p> <p>We noted that no changes were made to the assumptions or methodologies used in the previous year (per the valuer report) with the exception of Wyre Forest House, which has been valued this year adopting the depreciated replacement cost approach to the specialised areas (council chamber) and on a comparable basis for the remainder of the building, to reflect that much of the asset is leased or empty. This change has accounted for the majority of the reduction in value from £9m to £7.697m. Management has determined that this is change in estimate rather than an error in the prior year. The impact of this change in estimate is not material however due to the scale management should consider whether this should be disclosed as a critical judgement in the accounts.</p> <p>We also note that the car parks have decreased in value from £7.969m to £6.197m, in particular the Pike Mills car park and the Dog Lane car park – reflecting the reduction in revenues from these car parks and the increased costs of operation and the transfer of two car parks (£69.5k).</p> <p>We have identified one error resulting in an understatement of PPE by £173k, as referenced earlier in the report and in appendix D unadjusted misstatements.</p>	<p>Our procedures included the following:</p> <p>Review of completeness and accuracy of the underlying information used to determine the estimate</p> <p>Consideration of the impact of any changes to valuation method</p> <p>Consistency of estimate against Auditor expert indices</p> <p>Consideration of the reasonableness of in decrease in estimate, based on our sample testing</p> <p>Review of the adequacy of disclosure of estimate in the financial statements</p> <p>No matters arose from that work</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Net pension liability £11.8m (revised) (PY £57m)</p>	<p>The Council's net pension liability at 31 March 2023 is £11.8m (PY £57m) comprising the Local Government Pension Scheme. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability small changes in assumptions can result in significant valuation movements. There has been a £50m net actuarial gain during 2022/23.</p>	<p>We have undertaken procedures in line with the audit plan. We have now received the IAS19 assurances letter from the pension fund auditor and no matters raised:</p> <ul style="list-style-type: none"> • Assessment of management's expert • Assessment of actuary's approach taken, detail work undertaken to confirm reasonableness of approach • Use of PwC as auditors expert to assess actuary and assumptions made by actuary – use table to compare with Actuary assumptions • Completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method • Reasonableness of the Council's share of LPS pension assets. • Reasonableness of increase/decrease in estimate • Adequacy of disclosure of estimate in the financial statements <p>A triennial valuation took place in March 2022 and our assurance request to the pension fund auditors includes assurances around membership data which have informed this valuation.</p> <p>PWC has confirmed that they are comfortable that the methodologies used to establish assumptions will produce reasonable assumptions as at 31 March 2023. They also indicate that no significant changes have been made since the prior year to the methodology adopted for calculating the asset and liability figures or the controls environment relating to the calculations.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments (continued)

Assessment

Net pension liability
(Continued)

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.7-4.9%	●
CPI inflation	2.7%	2.7%	●
Salary growth	4.2%	3.2%-5.2%	●
Life expectancy – Males currently aged 45/65	23.3 / 22	22.4-24.3 21.0-22.6	●
Life expectancy – Females currently aged 45/65	26.1 / 24.2	23.3-26.6 23.5-27.5	●

We consider management's process is appropriate and key assumptions are neither optimistic or cautious

No further matters from the Worcestershire pension funds review.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Grants Income Recognition and Presentation £41.6m (£43m prior year)</p> <p>Capital grants received in advance £14m (£3.8m prior year)</p>	<p>Management set out their approach to accounting for Government Grants and Contributions in accounting policy 1.9. The accounts reflect considerable revenue and capital grants. The accounting for some of these is judgemental, and includes considerations such as whether the council is acting as principle or agent (e.g. acting as agent for the Council Tax Energy Rebate scheme grant award of £5.9m) or whether to reflect grants received in year fully within the accounts or to account for unspent balances as receipts in advance (egg capital grants of £6.2m Future High Streets fund and £7.71m Levelling Up Fund, as creditors or as specific reserves.</p> <p>Further considerations include whether to account as service expenditure or within non-specific grant income within the CIES are also considerations</p>	<p>Our testing has included sampling of a number of the grants received in the year and we have not disagreed with the accounting judgements made by management.</p> <p>We have however yet to fully conclude our grants testing.</p> <p>We have requested that management include a separate note in the accounts to explain the capital grants receipts in advance £14m on the balance sheet as these are highly material and the receipt of significant capital grants is of interest to the users of the accounts.</p> <p>We note that there is reference in the note 5: <i>material items of income and expenditure</i>, however this is not sufficient in our view.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

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

2. Financial Statements: key judgements and estimates (continued)

Judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £1.3m (PY £1.2m)	<p>The MRP policy for 2022-23 was approved in line with the statutory guidance and included the discretion for the Chief Financial Officer to charge a Voluntary Revenue Provision (VRP)</p> <p>For outstanding debt liability incurred prior to the new guidance – i.e. pre 2008-09 then MRP is calculated based on the previous 4% reducing balance method</p> <p>From 1st April 2008 for all unsupported borrowing, the MRP will be based on the estimated life of the assets, in accordance with the proposed regulations.</p> <p>The Council approved MRP Policy Statement for 2022-23 includes the option of using the annuity method to calculate MRP under the Asset Life Method.</p>	<p>We are content that:</p> <ul style="list-style-type: none"> the Council's policy on MRP complies with statutory guidance There has been no significant change in approach this year The MRP charge is reasonable and calculated consistently with the prior year Based on benchmarking, the MRP appears reasonable relative to the CFR The CFR reconciles to the accounts as expected <p>We have yet to fully conclude on this area</p> <p>Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

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

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating				Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure			
Agresso	ITGC assessment (design and implementation effectiveness only)					The noted that the council does not carry out periodic reviews of user access rights, and only conducts such reviews when adding or removing users prompted by the starter/leaver form. Moreover, we were unable to find any evidence of such reviews, and there are no records documenting them.	During our risk assessment, we evaluated the list of users and their access rights in Agresso. Our review identified that five individuals had 'system' rights, comprising of two IT staff and three finance staff. While we concluded that it was necessary for these individuals to have system access as it was essential to their role, we recommend that the council conduct regular reviews of their activity and keep their access rights up-to-date.	

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: other communication requirements

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	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any 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	Letters of representation have been requested from management which are included in the Committee papers. We have requested a representation in relation to the reinforced aeriated concrete RAAC.
Confirmation requests from third parties	We requested from management permission to send confirmation request to organisations holding council investments and borrowings, and also the Council bankers. This permission was granted, and the requests were sent. All of these requests have now been returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Some amendments have been made as a consequence. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. Management has as usual been supportive of the audit process and keen for the audit to be completed by the national deadlines. Management has also taken steps to address the matters raised in previous audits and clearly take the presentation of the accounts and the audit seriously. The revision to the IAS 19 report meant that some of our work had to be redone. We also experienced some delays in obtaining the responses to our questions on valuations as part of our PPE testing. The audit of the collection fund is once again an area which requires a disproportionate amount of audit time and management should consider whether there is scope to simplify / clarify the working papers – to support the incoming auditors. These factors have meant that there has been some increase in time taken to complete our work than in our original plans.

2. Financial Statements: other communication requirements



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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">• the nature of the Council and the environment in which it operates• the Council's financial reporting framework• the Council's system of internal control for identifying events or conditions relevant to going concern• management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• 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.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,• if we have applied any of our statutory powers or duties.• where we are not satisfied in respect of arrangements to secure value for money and have reported significant weakness. <p>We have nothing to report on these matters, although our value for money work is not yet complete. Any weakness will be reported in the Annual Audit Report and referenced in our certificate.</p>



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA council audit instructions. Note that work is not expected to be required as the Council is not expected to exceed the relevant threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of Wyre Forest District Council in the audit report as our VFM work is incomplete.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below. Our work on these risks is underway and an update is set out below.

Risk of significant weakness

Work performed to date

Governance: capacity within the senior management team

We consider that there is a risk of significant weakness associated with management capacity within the organisation to both deliver the council priorities and to ensure that there is adequate operation of internal controls and measures in place to detect and prevent fraud.

We are currently considering whether the council has capacity issues which are impacting on its ability to deliver its economic development priorities, achieve its capital programme benefits and pursue its future commercial agenda. Our work to date indicates that this has been the case, however we have yet to fully conclude.

We are also considering the adequacy of the Council's risk management arrangements, performance and programme management arrangements, as these are areas that appear to have been underinvested and not effectively utilised in recent years.

Delivery of the Internal Audit programme has been a particular challenge, however management (and the Audit Committee) has been aware of the gaps and associated risks and the Council is in the process of appointing external support to ensure that there is full coverage going forwards.

Governance and improving economy efficiency and effectiveness:

We consider that there is a risk of significant weakness associated with delivering the significant capital programme associated with the ongoing capital grants schemes

The Council has received considerable capital grant funding to help deliver its ambitions through both the Levelling Up Fund and the Future High Street Fund. The award of the grant funding was at the time that the council went through a major restructure. We are currently considering the slippage in the delivery of these programmes and to what extent this has been impacted by capacity issues within the council and whether there is appropriate management and governance capacity to support the successful delivery of these schemes.

Again, we have yet to complete our work and therefore are unable to conclude whether the risk has been mitigated.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to September 2023 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	£15,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total fee for the audit of £63,532 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. In the prior year fees were £13,800 against an audit fee of £63,182, which again was not regarded as significant.
		Self review (because GT provides audit services)	To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management:	Changes to the Housing Subsidy return and the factual accuracy of our report will be agreed with informed management.

There were no non-audit related services.

4. 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 and consider that an objective reasonable and informed third party would take the same view. 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 in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

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. No non-audit services were identified which were charged from the beginning of the financial year to current date.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the council or investments in the council held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the council's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Audit opinion
- H. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Plan – Audit of Financial Statements

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. 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
	<p>Access rights in Agresso</p> <p>During our risk assessment, we evaluated the list of users and their access rights in Agresso. Our review identified that five individuals had 'system' rights, comprising of two IT staff and three finance staff. While we concluded that it was necessary for these individuals to have system access as it was essential to their role, we recommend that the council conduct regular reviews of their activity and keep their access rights up-to-date.</p>	<p>Management should conduct regular reviews of individuals with system user rights and their activity and keep their access rights up-to-date.</p> <p>Management response</p> <p>Management consider that adequate controls are in place, particularly in view of the size of the team.</p>
	<p>Operation of controls</p> <p>We identified some areas where management has confirmed that they undertake reviews of data etc, and this review we have judged to be key controls. However, in some instances these reviews are not documented so we are unable to confirm that the controls are in place in practice.</p> <p>This includes:</p> <ul style="list-style-type: none"> • Review of the data sent to the actuary – to confirm that management have checked the consistency of the IAS19 report with the underlying council data • Review of fully depreciated assets in the asset register (i.e. consultation with other parties to confirm that they are still in use) • IT user rights: we were provided with a list of all individuals with access to Agresso (as referenced above) along with what type of access. Management explained that they don't actually review the list on a regular basis, they only add or remove names as per their starter and leaver process. A review of the list occurs once a year (when we ask). but this review is not documented. 	<p>Management should initial or by some other means document that they have undertaken the review of data and information that are key checks and operate as key controls</p> <p>Management response</p> <p>Accepted. An email trail is generally retained for audit evidence, unusually this wasn't the case in 2022/23.</p>
	<p>Fully depreciated assets</p> <p>The council has a large balance of fully depreciated assets. A review was undertaken in 21/22 and many assets were derecognised. Management has confirmed a review took place this year but adjustments were minimal.</p> <p>As part of our review we considered the bins acquired in 2010/11 with 10 years useful life. The Council has a replacement programme for bins - none of the £849k 10/11 investment has been written out with any of the replacement</p>	<p>The council should ensure that where there is a replacement programme such as ICT and bin replacement – that the asset (or component) being replaced should be derecognised.</p> <p>The council should also consider whether the useful life applied is consistent with the expected useful life based on experience.</p>
	<p>Capital retentions</p> <p>We disagree with management view that the council should not provide for capital retentions. We have assessed that the impact is very low this year.</p>	<p>Management should review the approach to capital retentions, particularly as the capital programme grows.</p>

B. Plan – Audit of Financial Statements

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. 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
	<p>Debtors</p> <p>We discussed at length with management the accounting for the year end debtor with BNP Paribas. We are content that there is not a significant error.</p>	<p>Management should consider the accounting relationship with BNP Paribas , to consider whether it is an agency relationship and the impact of IFRS15 – contracts with customers – so that there is clarity over the accounting going forward</p> <p>Management response</p> <p>.</p>
	<p>Related parties</p> <p>We consider that the disclosures on related parties includes relationships where either no RP exists or it is unnecessary to disclose financial transactions</p>	<p>Management should revisit disclosures for 2023/24</p>

C. Follow up of prior year recommendations

We identified the following issues in the audit of Wyre Forest District Council's 2021/22 financial statements, which resulted in two recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Bank transfer journals: there are a large volume of manual bank journals which are not authorized prior to posting. It is our view that there is heightened risk associated with journals associated with the bank.</p> <p>We recommend that the Council prioritise allocation of resources to achieve a go-live in early 2023-24 of the new system where processing bank statements will be via the income management system as this will reduce the amount of manual intervention in the process and the need for journals.</p> <p>Management response Agreed</p>	2023/24 commitment
n/a	<p>Properties valued on the basis of depreciated replacement costs: We made specific enquiries of both management and the valuer on the basis of the valuation of Wyre Forest House, in view of our perception that some of the property is either currently vacant, is advertised for rental or is occupied by third parties. Discussion with management indicated that they were satisfied that the current valuation assumptions were appropriate in relation to the basis of valuation, however there is an intention to undertake further review.</p> <p>We are satisfied that management judgments are appropriate and in line with the code, however we consider that a disclosure within the significant estimates would be appropriate, reflecting management intention to review the use of the building in the coming financial year as such a review may impact on the valuation of the building.</p> <p>Management response Management does not consider that any review of the property portfolio would result in a material adjustment to the property valuations and thus do not consider such a disclosure is necessary.</p>	<p>The valuation of Wyre Forest House is a hybrid approach in 2022/23 to reflect that some of the building is leased. The valuation has reduced by £1.3m year on year of which the valuer has suggested that £873k relates to the changed approach.</p> <p>Management should consider whether this is a critical judgement to be included in note 4.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Error identified in the IAS 19 report from the Actuary and a revised report was supplied	2,456	(2,456)	2,456	
Re-measurement of the Net Defined Benefit Liability from £0.173m to £2.629m (CIES)				0
Net Pensions liability from £9.361m to £11.817m				
Overall impact	£2,456	(£2,456)	£2,456	£0

D. Audit Adjustments

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.

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

Disclosure/issue/Omission	Adjusted?
Note 5: reference to Future high streets fund The following reference to be removed: 'no statutory accounting requirements apply until the extent that grant conditions have been met' as it is not judged to be meaningful to the user of the accounts	Y
Balance sheet: capital grants received in advance At £14m this is a highly material balance and thus we recommend that a note setting out the grants is included in the accounts	Y
Note 37: Trust funds narrative misleading – as it references retaining profits to offset gross expenditure – so wording will be made clearer	Y
Note 3: critical judgements We do not consider the judgement in the draft accounts meets the definition of a critical judgement because it is unlikely to have a material impact on the accounts. We consider that the change in basis of valuation of Wyre forest house is a critical judgement as the impact is near to materiality.	Y
Note 4: business rates retention and fair value references We do not agree that there is a material uncertainty to disclose here – this reference should be removed.	Y
Note 8 -Expenditure and Income Analysed by Nature and note 32 - Grant Income , there is a difference of approximately £2.5m on comparing the government grants and contributions. The difference of approx. £2.5m is broadly indicative of the grants included in Fees and Charges in Note 8. We have reviewed the CIPFA code which states the characterisation split between fees and charges and Government Grants and Contributions is not prescribed but at the discretion of the council. We further noted immaterial movement of net £157k from 'Fees Charges and other Service Income' to 'Government Grant & Contributions' in note 8 and 131k in Credited to Services (Resources) in note 32. These movements were of comparatively very lower value so no further work performed. As discussed with client, the movement of 157K and 131K will be amended in the updated version of SOA.	Y
Note 14: There should be an explanation of the impairment (£1.4m) making clear what the asset is and the reason for the impairment.	Y
Note 30:/ 33: remuneration disclosure should explain that some posts are shared.	Y
Note 31: audit fees adjusted to be consistent with plan	Y

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
floor area error on Hurcott woods and park		173	not material
Dr PPE			
Cr revaluation reserve	(173)		
Overall impact	(£173)	£173	

Impact of prior year unadjusted misstatements (non-trivial)

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements. In view of the value and remeasurements undertaken in 2022/23, we do not consider the matter below to be a consideration for the 2022/23 audit.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
Pension Liability	(564)		not material
Cr remeasurements		564	
Dr pension liability			
There is no impact of this in 2022/23 as the liabilities have been re calculated following the triennial valuation			
Overall impact	(£564)	£564	



E. Fees and non-audit services

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

Audit fees	fee per agreed plan	Proposed fees - to be agreed
Scale fee	45,182	45,182
Value for Money audit – new NAO requirements – additional fee to reflect increased significant risks	9,000	10,000
ISA 540	2,100	2,100
Additional journals testing	3,000	3,000
Payroll change of circumstances	500	500
Collection Fund – reliefs testing	750	750
ISA 315	3,000	3,000
Overruns – repeated procedures Pension, collection fund and PPE valuations	0	tbc
Total audit fees (excluding VAT)	£63.532	tbc

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee per plan	Final fee
Audit Related Services: Housing subsidy grant claims	15,000	*tbc
Total non-audit fees (excluding VAT)	£15,000	tbc

* The grant claims work has started and will be completed by the National deadline

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the council/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a council audit, will include both the council auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for council audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the council auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Audit opinion

Independent auditor's report to the members of Wyre Forest District Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Wyre Forest District Council] (the 'Authority') for the year ended 31 March 2023, which comprise the, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies . The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Resources and S151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Head of Resources and S151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Head of Resources and S151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Head of Resources and S151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Head of Resources and S151 Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

G. Audit opinion (cont.)

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority and the Head of Resources and S151 Officer

As explained more fully in the Statement of Responsibilities [set out on page 26], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Resources and S151 Officer. The Head of Resources and S151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Head of Resources and S151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Resources and S151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, the 2022/23 Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003

G. Audit opinion (cont.)

We enquired of management and the Audit committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual journals, particularly at the year end,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings and valuation of the net pension fund liability.
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement items.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of control. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:

- the provisions of the applicable legislation
- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

G. Audit opinion (cont.)

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Wyre Forest District Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

H. Audit Letter for delayed VFM

Cllr Nathan Desmond
Audit Committee Chair
Wyre Forest District Council
Wyre Forest House
Kidderminster
Worcestershire

25 September 2023

Dear Cllr Desmond

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected.

The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Laurelin Griffiths
Director



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