The Audit Findings for Wyre Forest District Council

Year ended 31 March 2022

30 November 2022

Final

Contents

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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 have been discussed with management and the Audit Committee.

Laurelin Griffiths
For Grant Thornton UK LLP
November 2022

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 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the 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 undertaken during July-November. Our findings are summarised within this report. We have identified no changes to the financial statements that have resulted in an adjustment to the Council's overall Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete as set out below:

There are no matters of which we are aware that would require modification of our audit opinion Appendix E, subject to the following outstanding matters:

- receipt of management representation; 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 anticipated audit report opinion will be unqualified.

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 now 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 was issued on 21 September 2022. 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 did not identify any significant risks as part of our planning. Our work on this risk is underway and we expect to issue our report early next year.
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 February 2023.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of the 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 2022.

In July 2022 we provided an update to the Audit Committee on our vfm assessment, where we reported:

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

We have not identified any risks during our VFM work to date.

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 23 November 2022, as detailed in Appendix E.

Acknowledgements

We would like to express our appreciation to the Finance team for their support in completing our audit work.

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 2022

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

	Council Amount (£000)	Qualitative factors considered
Materiality for the financial statements	1,000	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	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	This is based on 5% of materiality.
Materiality for senior officer disclosures	10	We consider this note to be sensitive and of particular interest to the users of the 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 Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness From our risk assessment we identified 55 journals that met our testing criteria. There were some delays due to the quality of evidence provided being inconsistent but following enquiries and provision of further corroboration evidence we were satisfied that all journals tested were appropriate. Following further enquiries around bank journals we identified that the bank income journals are more frequent than we commonly see. This was a matter we reported on in prior years. We consider that postings in relation to bank income are higher risk and thus we have gained an in depth understanding of how these journals work and why they are posted and undertaken specific testing in relation to these. We identified around 30 of these journals. Bank income should be automatically integrated into Agresso (and approved electronically prior to posting in case of error) to avoid the manual process of producing BIFF Files from the Bank Statement and manually uploading into Agresso. These BIFF files are not currently authorised prior to being posted, therefore this gives scope for manipulation of the BIFF File before it is posted to the Ledger. Management has confirmed that the current implementation of the new cash receipting/income management system encompasses the automatic processing of bank statements and will negate the necessity for bank income journals and substantially eliminates this risk. Management also consider that that the timely preparation and review of the bank reconciliation mitigates against this perceived risk There were no other matters from the journal testing or any other audit procedures that provided us with concern over management override of control.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue recognition (rebutted)	
Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. At planning we considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, and we determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wyre Forest District Council mean that all forms of fraud are seen as unacceptable.	We have not changed our assessment since planning and no specific procedures were planned. Our testing has included sample testing on a sample basis of income including: • Income from fees and charges, and • Grant income (including grants received on advance). • Council tax and business rates income Our testing has included agreement back to primary documents and receipts, and for grant income, where appropriate, we have agreed to grant determination letters to confirm that the income is correctly classified within the accounts. No particular matters have arisen from our other general audit procedures in relation to revenue.
The expenditure cycle includes fraudulent transactions (rebutted)	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit. At planning we rebutted this presumed risk for Wyre Forest District Council because: 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. We therefore do not consider this to be a significant risk for Wyre Forest District Council	We have not changed our assessment since planning and no specific procedures were planned. We have used the expenditure by nature note within the accounts to break down expenditure into the various expenditure streams. The nature of our testing has then been driven by the type of expenditure. Key types of expenditure has included: • Employee remuneration • Housing benefit expenditure • Other expenditure, and • Capital expenditure Our testing approaches have included agreement to primary records, and substantive analytical procedures. No significant matters have arisen from our other general audit procedures in relation to expenditure.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Council revalue its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. We have identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by the valuer for those assets revalued at 31 March 2022. For any assets not formally revalued in year we will assess how management has satisfied themselves that these assets are not materially different to the current value at the year end. As part of our audit testing we sought additional information from the valuer to support the key assumptions in the valuation Three areas where further information was sought and resolved satisfactorily are set out below: **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. Management provided an analysis of the current occupancy and the valuer also made reference to the current occupancy of the building in his valuation and therefore is clearly sighted on its use. We accept that it is not unreasonable, and it is in line with the Code, for the building to be regarded as specialist in its entirety and to be valued at DRC. Management should consider whether a disclosure within the significant estimates would be appropriate, reflecting management intention to review the use of the building (and others) in the coming financial year which could potentially have a material impact on the valuation of PPE. **Existing use value:** Several of the council assets are valued on the basis of income and yield – this includes the property portfolio assets, car parks and industrial units. Additional evidence was sought to support the basis of income. **Surplus properties**: The accounts reflect £2m additions in year to surplus assets. This reflects the properties purchased on Worcester Street that have been acquired with the intention of demolition as part if the town centre redevelopment. We challenged management on the classification of these assets as surplus. We considered CIPFA guidance and judgements made by the valuer and are satisfied that whilst it is unusual for an asset purchased in the year to be classified as surplus, it is not unreasonable for management to determine this as the appropriate classification and basis for valuation. We have not identified any other issues in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability 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 (£57.4m) 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 our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. In addition a 1 year change in life expectancy would have a 4% change in liability. 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.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of the Worcestershire County Council 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. Our Audit Findings Report as presented to Audit Committee highlighted that we were waiting on the Pension Fund Auditor Letter of Assurance. This has now been received. The report highlights that there is a non-material difference between the final year-end Fund Manager confirmations and the figures in the Pension Fund accounts. For 2021/22 the final year-end Fund Manager confirmations were £19.6m greater than the estimated figure provided by the Custodian and used in the accounts. WFDC's share of these is therefore proportionately misstated in the Financial statement. We have calculated WFDC's share of the understatement (which includes WFDC share of the Worcestershire Regulatory Services pension fund assets) as £0.564m. We have included this as an unadjusted misstatement within Appendix C because the assets are understated and thus the net pension fund liabilities reflected in the balance sheet are overstated. There are no further matters arising from our work.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Recognition and Presentation of Grant Income • The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income	The majority of grants received in the year (£7m) were regarded as agency grants. These are where the council is administrating grant schemes and distributing payments on behalf of government with no influence over eligibility and only year end balances such as creditors for return of grant, are reflected in the accounts. For non- specific grants these are reflected in taxation and grants line of the CIES and service specific grants are reflected 'above the line' in services expenditure. We have also considered the accounting for those grants received in advance and whether they are correctly classified in the accounts. No matters of concern have arisen from our work.	No matters have arisen from our other general audit procedures in relation to revenue. Grant income is fairly stated.

2. Financial Statements – key judgements and estimates

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

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Land and Building valuations – £62.7m (p/y £59.8m)
Surplus assets £2.1m (p/y £0.2m)
Assets under construction £1.7m (p/y 0.8m)</td>
<td>The Council valued the majority of its assets during 2021/22. All properties within the portfolio were inspected between October 2020 and May 2022 by a qualified RICS Registered Valuers from Avison Young. The properties were externally inspected with properties with a value in excess of £1m being internally inspected. A full valuation was also undertaken in 2020/21.
<table>
<tr><th>Assumption</th><th>Value £000</th><th>Key assumptions</th></tr>
<tr><td>Specialised (DRC)</td><td>25,857</td><td>Build costs, floor areas, obsolescence</td></tr>
<tr><td>Non specialised (EUV)</td><td>40,386</td><td>Market Rentals, yields, capital values</td></tr>
<tr><td>Other (Fair value)</td><td>2,895</td><td>Capital values (market)</td></tr>
<tr><td>total</td><td>69,139</td><td></td></tr>
</table>
Other land and buildings comprises £25.8m of specialised assets including Wyre Forest House, and the leisure centre, 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 (£40m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Avison Young to complete the valuation of properties as at 31 March 2022 on a five yearly cyclical basis with all properties over £1m valued annually, although a full valuation was undertaken again this year due to perceived risks assessed by management in the post COVID era.</td>
<td>We are satisfied that:
• the external valuer is appropriately qualified and experienced to undertake the work.
• the valuer has considered alternative assumptions
• Appropriate information was supplied to the valuer by the council and reasonable steps were taken by the valuer to confirm the accuracy of information (such as floor areas)
• There have been no significant changes in assumptions in the approach to valuation of any assets.
• The movement in valuations is not significantly out of line with our expectation as informed by the Gerald Eve (auditors expert) indices or adequate reasons for movements have been obtained by the audit team.
• Disclosures in the accounts are adequate</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

2. Financial Statements - key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £57.457m (p/y £57.879m)

Comprising WFDC £55.5m (p/y £55.8m) and WRS £1.9m (p/y £2m)</td>
<td>The Council's total net pension liability at 31 March 2022 is £57.457m (PY £57.879m) comprising the Worcestershire Local Government and unfunded defined benefit pension scheme obligations. 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.

The latest full actuarial valuation was completed as at 31 March 2020. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £16.5m net actuarial gain during 2021/22.</td>
<td>Our audit procedures included the following:

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

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>2.8%</td><td>2.70-2.8%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>3.5%</td><td>3.00-3.5%</td><td>●</td></tr>
<tr><td>Salary growth</td><td>4.9%</td><td>Scheme and employer specific long term assumption of 1.25% p.a. to 1.50% p.a. above CPI. Therefore salary increase is 4.5% - 5%</td><td>●</td></tr>
<tr><td>Life expectancy – Males currently aged 45 / 65</td><td>Pensioner 22.6
Non-pensioners 24.1</td><td>Pensioners 20.7- 23.3
Non pensioners 22.2 – 24.8</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45 / 65</td><td>Pensioner 25 Non Pensioners 27</td><td>Pensioners 23.8-25.5
Non pensioners 25.7-27.5</td><td>●</td></tr>
</table>

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 change in estimate
Adequacy of disclosure of estimate in the financial statements

We have now received the final IAS19 report from the pension fund auditor. Their work includes procedures, at our request, on contributions, benefits paid, assets, significant events, and laws and regulations. As referenced earlier in the report, the assets of the pension fund have been confirmed to be understated, and this impacts on the council's share of these balances. This is referenced as an unadjusted misstatement (Appendix C).

The procedures undertaken at the council and the analytical procedures on pension fund assets and liabilities has not resulted in any matters of concern.</td>
<td>We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious</td>
</tr>
</table>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £3.1m gross (£5.1m p/y) and £1.2m WFDC (£2m p/y)	Management approach to business rates appeals provision is consistent with the prior year. **2010 listing**: £442k (£1.7m p/y) this listing is now closed so no new provisions and the reduction reflects claims settled. The balance is the estimated amount of provision based on VO schedule of outstanding lodged claims. The Rateable value is as per VO, with local judgments then made on the estimated RV reduction, the years to which this applies and the estimated probability of success. **2017 listing:** much of this reflects claims not lodged and management therefore has less experience to base the provision on due to the introduction of the Check Challenge Appeal process in 2017 on which to base the provision and therefore use 4.7% of gross income as a proxy. The balance is cumulative and increases annually by 4.7% of the anticipated income this year. Management considers that 4.7% reflects the government's assumption of the reduction.	We are content that this is an appropriate approach to making provision for business rates appeals. We did however identify an outlier in the working paper to support the appeals settled in year which turned out to be an error resulting in an overstatement of claims settled, and corresponding understatement in provision. This has impacted on the face of the collection fund as well as the council's 40% share of the provision in the financial statements. This is reflected in the adjusted misstatements.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

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

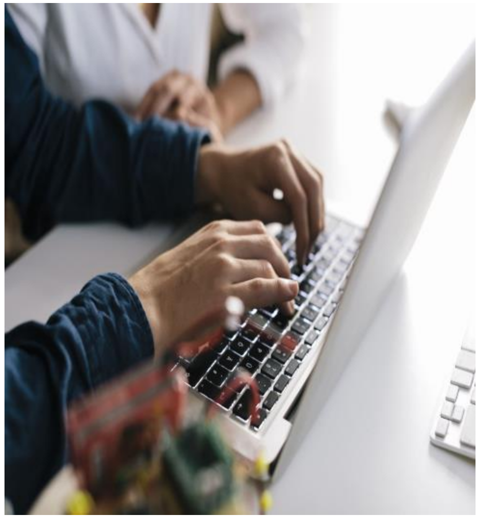
Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £1.2m (p/y £1.17m)	The MRP policy for 2021-22 was approved at the 24th February 2021 Council in line with the statutory guidance and included the discretion for the Chief Financial Officer to charge a Voluntary Revenue Provision (VRP) 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 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 . The Council approved MRP Policy Statement for 2021-22 includes the option of using the annuity method to calculate MRP under the Asset Life Method	We are content that: • the Council's policy on MRP complies with statutory guidance. • the MRP has been calculated in line with the statutory guidance • There has been no significant change in approach this year • The MRP charge is reasonable and calculated consistently with the prior year. It is worth noting that Government have consulted 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. Government will issue a full response to the consultation in due course.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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 incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included within the Audit Committee papers.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bankers and lenders and investors. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

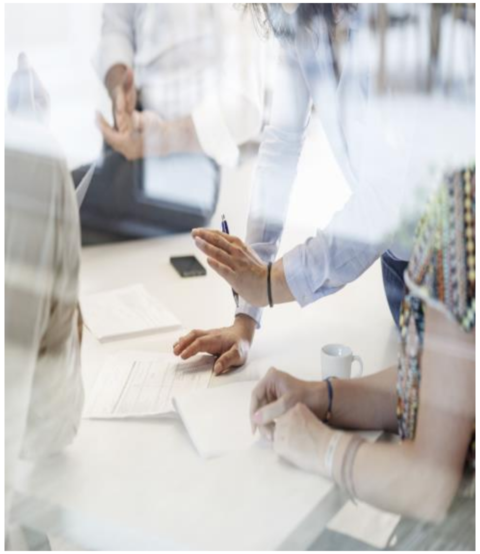
Our responsibility

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	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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. 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: • 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. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • 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 [a] significant weakness/es. We have nothing to report on these matters
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 group audit instructions. Note that work is not required as the Council does not exceed the threshold;
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of **Wyre Forest District Council** in the audit report, as detailed in Appendix E, due to incomplete VFM work.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require 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 was issued to the Chair of the Audit Committee in September. We expect to issue our Auditor's Annual Report by February 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 no risks.

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 November 2022, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

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

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

Details of fees charged are detailed in Appendix D.

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 Transparency report 2020 (grantthornton.co.uk)

Service	Fees 2021/22 £	Fees 2020/21 £	Threats identified	Safeguards
Audit related				
Certification of Housing Benefit Claim	13,800	12,000	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 £13,800 in comparison to the total fee for the audit of £40,685 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.
			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.

Appendices

A. Action plan – Audit of Financial Statements

We have identified two recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
medium	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.	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. **Management response** Agreed
medium	**Properties valued on the basis of depreciated replacement cots:** 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.	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. **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.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Wyre Forest District Council's 2020/21 financial statements, which resulted in two recommendations being reported in our 2020/21 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
partly	Evidence to support the basis of provisions: **Issue:** The council has made a material provision for business rate appeals. This provision reflects the councils judgement on the success of business rates appeals which will result in the repayment of business rights previously received. Management has changed their assumption around business rate appeals which has effectively reversed the judgement made in 2019/20. overall the collection fund has made provision for £5.2m against successful appeals in relation to the 2010 and the 2017 listings. We felt that the working papers to support managements judgement in relation to these provisions and in particular the compliance with IAS 37 was not clearly documented in the working papers initially provided for audit. **Prior year recommendation:** Management should ensure that where significant judgments are made within the accounts that these are supported by appropriate working papers setting out the basis for judgments. in particular, where management is making judgments about provisions then these should be supported by a detailed working paper setting out management judgement	The Council has not changed its approach to these provisions in 21/22 , although the value has fallen due to settled claims in year. The working paper to support the judgement would benefit from further development to more clearly set out judgements against the standards. Further evidence was sought to support the judgements made by management in relation to individual claims.
partly	Evidence to support PPE Valuations: Issue: We have worked with management and the external valuers to ensure that there is appropriate evidence to support key assumptions in the valuation. This did take additional time for both the audit team and management and valuers. Prior year recommendation: Management should ensure that key evidence to support valuations is collated during the closedown process, in order to streamline the process in 2021/22.	The audit team did liaise with the external valuer for additional information to support elements such as yield within our samples and the valuer responded quickly with the information requested.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

The l adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000
WFDC share of understatement of appeals provision (40%)	Dr expenditure 102	Cr provisions 102

The impact of the above is on several notes to the accounts, including the MIRS

Note the impact on the face of the Collection fund is £254k

C. 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.

Misclassification and disclosure changes

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

Disclosure matter	Auditor recommendations £000	Adjusted?
Note 8: income and expenditure by nature: There is an error in the income analysis grants disclosure in that the grants line is understated and fees and charges overstated	Reduce fees and charges £23,310 Increase Government grants £23,310 **Management response** Agreed and adjusted	✓
Note 14: PPE we consider the note to be confusing and a simplified version is proposed to improve accessibility of the accounts	Adjust the presentation of note 14 in line with EA suggestion – no impact on primary statements **Management response** Agreed and adjusted	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
Pension liability: the timing of the investment valuation has meant an understatement of pension scheme assets, and an overstatement of WFDC's net liability as a consequence	CR Remeasurements line CIES £564	Dr net pension liability £564	Not material
PPE opening balances: two vehicles should have been removed GBV £143,275, with a NBV of £7,000. This represents an overstatement of gross cost and accumulated depreciation of approximately £143,275 and £136,275 respectively	Dr Service expenditure 7	Cr Vehicles (143) Dr Depreciation 136	Clearly trivial net impact.
Overall impact	Cr 557	Dr 557	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statement. The matters below are reflected in the 2021/22 valuations.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Downward revaluation of Green St Depot omitted from accounts and Buntsford Gate unadjusted misstatement –	161.5	PPE (135) Revaluation reserve (26.5) CAA 161.5	n/a	immaterial.
Overall impact	0	0	0	

D. Fees

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

Audit fees	Proposed feee	Final fee
Council Audit scale fee	40,685	40,685
Additional fee as per audit plan (TBC PSAA)	19,846	19,846
Further fee variation (TBC PSAA)	2,651	2,651
Total audit fees (excluding VAT)	£63,182	£tbc

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services: housing subsidy audit	13,500	tbc
Total non-audit fees (excluding VAT)	£13,500	£tbc

Details of variations in final fees from the proposed fee per the audit plan

The fees reconcile to the financial statements as follows:

Fees per financial statements £82k

(note 31)

Less:

- Benefits claim audit 20/21 billed 21/22 £12k
- Fee variations re prior years paid 21/22 £16k
- Fee variation per draft audit plan £13,500

Total scale fee per PSAA £40.7

Revised proposed fee variation £22.5

Total anticipated fee £63.2

E. Audit opinion

Our audit draft opinion is included below.

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

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 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 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 2021/22; 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 2021/22 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 2020) 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.

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.

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.

The responsibilities of the Head of Resources and S151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Head of Resources and S151 Officer and Those Charged with Governance for the financial statements' section of this report.

E. Audit opinion (continued)

Other information

The Head of Resources and S151 Officer is responsible for the 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. 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.

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

E. Audit opinion (continued)

Responsibilities of the Authority, the Head of Resources and S151 Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the 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 2021/22, 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 there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 (international accounting standards as interpreted and adapted by the CIPFA/LASAAC 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
- We enquired of senior officers 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 senior officers 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.

E. Audit opinion (continued)

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' 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:
  - Large and unusual journals and accounting estimates associated with the valuation of pension fund liability and other land and buildings.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Head of Resources and S151 Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on bank income journals, S31 grants and other unusual journals.
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- 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.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations.
- 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.

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 2022.

E. Audit opinion (continued)

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 2022.

Responsibilities of the Authority

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

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 December 2021. 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 2022 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 and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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

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