

Open

Audit Committee

Agenda

6PM
Wednesday, 29th September 2021
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor R H Coleman
Vice-Chairman: Councillor P W M Young

Councillor V Caulfield

Councillor B S Dawes

Councillor N J Desmond

Councillor P Dyke

Councillor F M Oborski, MBE

Councillor C Rogers

Independant Person: Bodrul Zzaman

Information for Members of the Public:

Part I of the Agenda includes items for discussion in public. You have the right to request to inspect copies of Minutes and reports on this Agenda as well as the background documents used in the preparation of these reports.

Part II of the Agenda (if applicable) deals with items of "Exempt Information" for which it is anticipated that the public may be excluded from the meeting and neither reports nor background papers are open to public inspection.

Declaration of Interests by Members – interests of members in contracts and other matters

Declarations of Interest are a standard item on every Council and Committee agenda and each Member must provide a full record of their interests in the Public Register.

In addition, alongside the Register of Interest, the Members Code of Conduct ("the Code") requires the Declaration of Interests at meetings. Members have to decide first whether or not they have a disclosable interest in the matter under discussion.

Please see the Members' Code of Conduct as set out in Section 14 of this constitution for full details.

Disclosable Pecuniary Interest (DPI) / Other Disclosable Interest (ODI)

DPI's and ODI's are interests defined in the Code of Conduct that has been adopted by the District.

If you have a DPI (as defined in the Code) in a matter being considered at a meeting of the Council (as defined in the Code), the Council's Standing Orders require you to leave the room where the meeting is held, for the duration of any discussion or voting on that matter.

If you have an ODI (as defined in the Code) you will need to consider whether you need to leave the room during the consideration of the matter.

For further information:

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Sian Burford, Assistant Committee Services Officer, Wyre Forest House, Finpoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732766 or email sian.burford@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Wednesday, 29th September 2021

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 29 th July 2021.	5
5.	Audit Findings Report for Wyre Forest District Council 2020-21 Accounts To receive a report from Grant Thornton detailing the findings of the external audit of accounts for 2020-21	8
6.	Statement of Accounts 2020-21 To receive a report from the Chief Financial Officer on the Statement of Accounts 2020-21.	49

7.	To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
8.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

9.	To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER

28TH JULY 2021 (6PM)

Present:

Councillors: R H Coleman (Chairman), P W M Young (Vice-Chairman),
V Caulfield, B S Dawes, N J Desmond, P Dyke and C Rogers.

AUD.12 Apologies for Absence

Apologies for absence were received from Councillor A Totty.

AUD.13 Appointment of Substitutes

No substitutes were appointed.

AUD.14 Declarations of Interests by Members

No declarations of interest were made.

AUD.15 Minutes

Agreed: The minutes of the meeting held on 26th May 2021 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.16 Audit Progress Report and Sector Update

The Committee received a report from Grant Thornton (GT) which gave an update on progress in delivering their responsibilities as the Council's external auditors.

The Engagement Lead led members through the report which also included a summary of emerging national issues and developments.

Members were advised that work on the audit had commenced and was going to plan. The Engagement Lead explained that the next big piece of work scheduled to take place was the report on the Value of Money arrangements. She said that as the audit progressed, any issues of concern would be reported to a future meeting of the Committee.

In response to a member question regarding capacity to complete the audit, the Engagement Lead said that the Council had always cooperated with GT and if there were any unforeseen circumstances which may cause a delay, GT would prioritise WFDCs audit. The Engagement Lead assured members that in her opinion, there was no reason to delay the audit and was confident that

GT could deliver the final report by the end of September 2021.

Decision: The report was noted by the committee.

AUD.17 Internal Audit Monitoring Report Quarter Ended 30th June 2021

The Committee received a report from the Audit Manager which informed members of the Internal Audit Monitoring Report for the quarter ended 30th June 2021.

The Audit Manager led members through the report and was pleased to advise that there was nothing of concern to report from the testing and review work undertaken during the first quarter.

The Committee considered each page of the monitoring report in turn and were given the opportunity to ask questions on each section.

Decision: The Audit Committee considered and noted the Internal Audit Monitoring Report for the quarter ended 30th June 2021 as detailed in the Appendix to the report.

AUD.18 Report on the Provisional Final Accounts Outturn 2020-21

The Committee received a report from the Corporate Director: Resources and the Financial Services Manager on the provisional outturn position in relation to the Final Accounts for 2020-21.

The Corporate Director: Resources presented the report which summarised the outturn position based on extracts from the Pre-Audit Statement of Accounts. She explained that a full copy of the Statement was made available on the Council's website on 19th July and had been shared with GT prior to the start of the external audit. She thanked the Financial Services Manager, the Principal Accountants and the rest of her team for all the hard work that had gone into producing the Statement.

The Financial Services Manager led members through the report in detail and outlined the key issues. The Committee fully considered the report and took the opportunity to seek clarification on a couple of items. A member congratulated the service area managers and their teams across the whole of the organisation for achieving the savings in such a challenging time.

Decision: The Audit Committee noted:

1.1 The key aspects of the provisional Final Accounts Outturn for 2020-21 detailed in the report which are summarised as follows:

The final position was much in-line with that projected in the MTFs with just a small increase of £14k to the planned withdrawal from reserves for 2020-21; total contribution from reserves £433k. This is made up of a saving on Services of £1,074k that reduces to £424k after contributions to essential earmarked reserves (EMRs), less a Business Rates deficit of

£533k and addition Council Tax Income grant from the Government to help fund Council Tax losses (£95k). This has been achieved by prudent budget management, across all Directorates. The contributions to EMRs are for the Innovation Fund of £150k and a £500k Risk Reserve for the Future High Streets Fund.

- 1.2 That, the pre-audit Statement of Accounts for 2020-21 was endorsed by the Corporate Director: Resources on the 16th July 2021 and shared with Grant Thornton for the commencement of the external audit on the 19th July 2021.
- 1.3 That, there will be a meeting on the 27th September 2021 for Members of the Audit Committee to receive the External Audit Findings Report and approve the audited Statement of Accounts.

AUD.19 Risk Management – Corporate Risk Register

The Committee received a report from the Corporate Director: Resources which set out the current Corporate Risk Register and the Budget Risk Matrix.

The Corporate Director: Resources presented the report and appendices. In response to a member question she gave a detailed explanation on the workings of the risk matrix and how the individual original, Current and Target risks are set.

Decision: The Audit Committee considered and noted the Corporate Risk Register and the associated mitigating actions as at 30th June 2021 and the 2021-24 Budget Risk Matrix.

AUD.20 Any other business

A member asked for clarification on the format of the review into the Unity Park (former Frenco site) erection of industrial units, as agreed by Council on 14th July 2021.

The Chairman advised that he and the Vice-Chairman of the Committee had been given the opportunity to comment on the proposed plan of action by the Chief Executive.

The Corporate Director: Resources advised that the Terms of Reference had been formulated in consultation with both the Chief Executive and the Solicitor to the Council and when agreed would inform the Audit Manager to carry out an independent review of the project. She said that as agreed at Council, the outcome of the review would be reported to the Audit Committee and full Council by 14th October 2021.

There being no further business, the meeting ended at 7.13pm.

The Audit Findings for Wyre Forest District Council

Year ended 31 March 2021

24 September 2021



Contents



Your key Grant Thornton team members are:

Peter Barber

Engagement Lead

T 0117 305 7897

E peter.a.barber@uk.gt.com

Zoe Thomas

Engagement Manager

T 0121 232 5277

E zoe.thomas@uk.gt.com

Denise Mills

Assistant Manager

T 0121 232 5306

E denise.f.mills@uk.gt.com

Section

- 1. Headlines
- 2. Financial statements
- 3. Value for money arrangements
- 4. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion
- F. Management Letter of Representation
- G. Audit letter in respect of delayed VFM work

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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.

Name : Peter Barber
 For Grant Thornton UK LLP
 Date : 24 September 2021

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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 2021 for those charged with Audit.

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 Audit Statement (AGS), and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We commenced our post statements audit in July and as at 24 September our audit is substantially complete. Our findings are detailed on pages 3 to 21.

Our work to date has identified one material error that has resulted in a change to the draft financial statements. This related to an over charge of depreciation and has resulted in an adjustment to the Council's comprehensive income and expenditure statement, MIRS and balance sheet. Due to the accounting, the impact is reflected in unusable reserves, and has no impact on the outturn position for the year or the general fund balances as set out in the draft financial statements. We have recommended a small number of adjustments to improve the presentation of the financial statements as detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior years audit are detailed in appendix B.

Work is substantially complete and there are no matters of which we are aware that would require modification of audit opinion (Appendix E).

At the time of writing this report we are discussing with management the basis for provision of business rate appeals and finalising our work on the assumptions in relation to the valuation of land and buildings.

Subject to completing our remaining audit procedures are set out on page 5, receiving responses to our outstanding queries and having regard to any further national guidance, we anticipate issuing an unqualified audit opinion following the receipt of the letter of assurance from the Worcestershire County Pension Fund auditor in late September 2021.

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

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 is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by December 2021. 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 a risk in respect of Financial sustainability. Our work on this risk will commence on completion of our opinion work.

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 2021.

Significant Matters

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

Acknowledgements

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

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 Audit 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 will be 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 Audit. The audit of the financial statements does not relieve management or those charged with Audit 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 altered our audit plan, as communicated to you in May 2021.

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 29 September 2021, as detailed in Appendix E. These outstanding items include:

- Completion of our work on Property, Plant and Equipment and Investment Property valuations;
- Completion of our work on grant income, including accounting for Covid grants
- Completion of our work on pensions
- Completion of our work on the business rates appeals;
- Receipt of the letter of assurance from the Worcestershire County Pension Fund Auditor;
- Final review by the Manager and Engagement Lead on outstanding work;
- Receipt of management representation letter;
- Review of the final set of financial statements;
- Receipt and review of the annual Audit statement;
- Review of the narrative report; and
- Completion of our subsequent events review.

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 and we detail in the table below our determination of materiality for the Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,000,000	Materiality equates to approximately 1.9% of your prior year gross operating costs for the year. We did not change materiality on receipt of your accounts. This assessment reflects the fact that the Council operates in a stable, publicly funded environment and no significant control deficiencies have been identified.
Performance materiality	750,000	70% of materiality, this reflects that there is no history of deficiencies or large number of misstatements. In the prior year the opinion made reference to the material uncertainty in relation to going concern and there was an emphasis of matter in relation to the valuation of land and buildings, however your external valuer has not raised similar limitations this year and so we do not consider that this matter present a heightened risk to the accounts in 2020/21
Trivial matters	50,000	
Materiality for senior officer remuneration	7,300	This reflects public sensitivity in the pay of senior officers in the public sector.



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
<p>Management override of controls</p> <p>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.</p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> - 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 - evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions <p>Our audit work, including our review of journal entries and the related control environment, has not identified any significant issues with regards to management override of controls.</p>



2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>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.</p> <p>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, because:</p> <ul style="list-style-type: none"> • 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. <p>We re-considered this assessment on receipt of the draft financial statement and have not identified any reasons to change this assessment.</p>
<p>The expenditure cycle includes fraudulent transactions (rebutted)</p>	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"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.</p> <p>We have rebutted this presumed 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 do not consider this to be a significant risk for Wyre Forest District Council.</p> <p>There have been no changes to our assessment reported in the audit plan.</p>

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 (£58.8 million) 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.

In 2020/21, following a tender process, a new valuer has been appointed for the Council. We understand that the Council has requested a 100% valuation exercise to be undertaken this year with a valuation date as 31 March 2021.

In the prior year the valuer issued a material uncertainty limitation to the valuation of PPE due to uncertainty of the impact of COVID-19. Valuations of property, particularly where income and rentals are considerations in the valuation may well be adversely impacted this year.

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, and a key audit matter.

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- wrote 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 2021. For any assets not formally revalued in year we assessed how management has satisfied themselves that these assets are not materially different to the current value at the year end.

The Council has appointed a new valuer in year who has undertaken a 100% review of land and buildings as at 31st of March 2021. We challenged management and the valuer on a number of the assumptions within the valuations as part of our sample testing. This included seeking additional information to support the floor areas in DRC valued properties and obtaining further evidence to support the income assumptions within income based valuations. Whilst we raised a number of queries and challenges to management and the valuer we are now satisfied that there are no significant matters in relation to the valuations of land and buildings. One non material error was identified in relation to the valuation of Green Street, and this is referenced in Appendix C; Audit Adjustments.

This year the Council had all its assets valued as at 31 March (the year end) rather than 31 December as in previous years. The valuation covered all assets other than those regarded as de minimis (less than £10,000).

An error was noted in the calculation of depreciation as management had applied depreciation to the 31 March revalued amount, which is incorrect. Management has adjusted the accounts for this. Further details are provided in Appendix C.

Our audit work has not identified any significant issues with regards to the valuation of land and buildings.

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 (£55.8m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

We:

- 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 performing any additional procedures suggested within the report; and

We are currently awaiting assurances from the auditor of 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.

We are also currently finalising our work on the councils pension disclosures.

Subject to the completion of our work above our audit work has not identified any issues in respect of valuation of the net liability.

2. Financial Statements – other matters

Issue	Commentary	Auditor view
<p>IFRS 16 implementation</p> <ul style="list-style-type: none"> Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020/2021 statements to comply with the requirement of IAS 8 para 31. As a minimum, we expected audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases 	<p>The Council has disclosed within note 2 reference to the deferral of implementation of this standard until the 2022/23 financial year. The council has disclosed that they do not anticipate that the impact on the accounts will be material.</p>	<p>The council has complied with the requirements of IAS 8 in relation to its Disclosures and provided working papers which supports the assertion that the impact will not be material.</p>
<p>Recognition and Presentation of Grant Income</p> <ul style="list-style-type: none"> 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/ 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 	<p>The Council has prepared an analysis of COVID related grants and management assessment of whether they should individually be accounted for on an agency or principal basis. We have reviewed this assessment and agreed a sample to underlying records to confirm we agree with management's assessment . Approximately £32 million of COVID grants have been accounted for on an agency basis with a further £17 million accounted for on a principal basis and are therefore reflected in the council's accounts . Approximately £4 million of grants have been treated as grants received in advance and are included in the Council's creditor balance.</p> <p>We have also challenged management on the accounting for homes England grant in relation to the Churchfields highways improvements and in response management has prepared a paper setting out their judgement that the accounting on a principal basis is appropriate.</p>	<p>This work is not yet finalised.</p>

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
<p>Land and Building valuations – £64m (including community assets)</p>	<p>The gross value of specialised assets is £24.95m which are valued on a DRC basis and £39m are regarded as non specialist, all of which are valued on an income basis. The assets valued on an income basis are all regarded as operational as they are held for wider purposes than income generation.</p> <p>Following a tender exercise, the Council has engaged Avison Young who has valued the entire property base (other than very small value properties). The external valuer was unable to inspect internally and has relied on information from the previous valuer , particularly in relation to floor areas. The valuer has relied upon the council to provide key information such as income to inform the valuations.</p> <p>The valuation this year is issued without a material uncertainty in relation to the impact of COVID 19 on the markets, which was a matter in the prior year accounts.</p> <p>We did not identify any significant changes in valuation methodology, Avison Young being satisfied that the approach adopted by the previous valuer in the prior year was appropriate</p> <p>We have challenged and sought evidence for a number of the valuations and Avison Young has supported this work and supplied the information requested. Once again we challenged management’s assertion that the Wyre Forest House is a specialised asset, in view of the fact that areas of the building are either currently let or are advertised for letting, now that more of the Council’s administration activities are relocated to Green Street. Management and the valuer remain satisfied that this valuation basis remains appropriate</p> <p>To facilitate a smoother audit next year, management should ensure that the evidence and management rationale to support key assumptions such as income and floor areas is collated as part of the working papers preparation to support audit challenge of source data.</p>	<p>Our work included:</p> <p>Assessment of management’s expert</p> <p>We considered the source of the inherent risk associated with the estimate on samples tested</p> <p>Analysed the method, data and assumptions used by management to derive the accounting estimate.</p> <p>Consideration of the completeness and accuracy of the underlying information used to determine the estimate</p> <p>Assessment of the consistency of estimate against GE report</p> <p>Assessment of the reasonableness of increase/decrease in estimate</p> <p>Adequacy of disclosure of estimate in the financial statements</p>	<p>TBC</p>

Assessment

- [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																								
Net pension liability – £55.8m	<p>The Council's net pension liability at 31 March 2021 is £55.8m (PY £60.0m) comprising the Worcestershire Pension Fund Local Government funded defined benefit scheme. The Council uses Mercer 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 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure suitably qualified and independent, Assessed the actuary's roll forward approach taken, We have used PwC as auditors expert to assess actuary and assumptions made by actuary. The table below summarises where Wyre Forest District Council fall in the acceptable ranges set by PwC 	tbc																								
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.1%</td> <td>1.95% - 2.05%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.8%</td> <td>2.8% - 2.85%</td> <td>●</td> </tr> <tr> <td>Salary growth (this is a local assumption which we have confirmed to the local pay agreement)</td> <td>4.2%</td> <td>1% above CPI which is 2.8%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>Current 22.7 Future 24.4</td> <td>Current 20.5 – 23.1 Future 21.9 – 24.4</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65*</td> <td>Current 25.1 27.1</td> <td>Current 23.3 – 25 Future 24.8 – 26.4</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.1%	1.95% - 2.05%	●	Pension increase rate	2.8%	2.8% - 2.85%	●	Salary growth (this is a local assumption which we have confirmed to the local pay agreement)	4.2%	1% above CPI which is 2.8%	●	Life expectancy – Males currently aged 45 / 65	Current 22.7 Future 24.4	Current 20.5 – 23.1 Future 21.9 – 24.4	●	Life expectancy – Females currently aged 45 / 65*	Current 25.1 27.1	Current 23.3 – 25 Future 24.8 – 26.4	●	
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<p>*Slightly optimistic however the impact would not be material</p> <ul style="list-style-type: none"> 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>As detailed earlier in the report we are currently finalising our work in this area</p>																											

Assessment

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
<p>Provisions for NNDR appeals - £5.1m(collection fund P/Y £2.8m) £2.1m (council share P/Y £0.</p>	<p>The council share of the provision has increased for 2 reasons. as part of a 75% pool in the prior year, the council single entity accounts did not reflect any proportion of the business rates appeals.</p> <p>In 2019/20 the council made the judgement that there was insufficient evidence to support the previous provision for unlodged appeals. During the year a number of appeals were paid out for which no provision had been made including GP Surgeries and ATPs. The council has revisited the assessment of when a provisions should be recognised and consequently has made an estimate for unlodged appeals Management view is that more businesses are investigating and are likely to appeal than has been the case previously. Management has judged that this is a change in estimation rather than an error of judgement or a change in accounting policy, which could potentially be applied retrospectively.</p> <p>We have requested that management provide further information to support the judgement and we have yet to review this.</p>	<p>We have yet to complete our work in this area.</p> <p>We have requested that management ensure that there is consistency within the notes to the accounts on this matter (note 36: contingent liabilities and note 4: major sources of estimation uncertainty)</p>	<p>tbc</p>
<p>Other provisions</p>	<p>Decision on a council restructure has recently made and will result in the redundancy of two of the Council’s Corporate Directors.</p>	<p>We have discussed with management the approval process and the basis of the decision, the rationale being overall and recurrent savings to the Council which will help to bridge the budget deficit.</p> <p>The decision was made after the year end and therefore it is appropriate that the accounts do not include redundancy provisions.</p>	<p>Light purple</p>

Assessment

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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- £43.6m</p>	<p>The accounts reference the receipt of considerable COVID -19 related grants in 2020/21. In addition to the grants actually recognised in the financial statements, the Council also dealt with £32m of grants that were paid to third parties. Here the Council has judged they are acting as an ‘agent’ because they had no influence over these grants and consequently these are not reflected in the financial statements other than as notes for information.</p> <p>As set out in note 32, the Council received covid 19 support grants this year to support the council directly for additional expenditure and reduced income. Not all of the support grant was required in year and as a consequence £10.621m of S31 grants has been included in earmarked reserves as External funding reserve £3.96m and Business rates collection fund £7.4m</p> <p>In addition to these revenue grants the accounts reflect the Churchfields Urban Village Master Plan which is a £5.5m scheme led by the District Council and funded by Homes England grants and the Worcestershire and the GB&S LEP local enterprise partnership. £2.5m of highways works were completed in 2020/21 which was funded by a capital grant this is matched by expenditure incurred by the County Council on enhancement of their asset (the highway). No asset is reflected in the Council accounts and thus the expenditure is treated as REFCUS.</p> <p>Management has prepared a paper setting out their judgement that it is appropriate for both the Council income and expenditure to reflect this scheme – i.e. the Council is acting as a principal.</p>	<ul style="list-style-type: none"> • We have reviewed management assumptions for these COVID related grants overall and on a sample basis to confirm the treatment is appropriate. Whilst we haven’t yet finalised this work it is likely that we will conclude that the approach taken by management is appropriate. • We have considered the paper prepared for audit on the Churchfields development and are content that the accounting is correct. 	<p>tbc</p>

Assessment

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Minimum Revenue Provision - £1.1m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as Minimum revenue provision(MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>We have reviewed the Council policy and calculation of MRP and the approach is consistent with prior year and regulations and is clearly articulated in the accounts</p> <p>This year end the MRP charge was £1.1 m a net decrease of £0.024m from 2019/20. Prudential borrowing for capital purposes was £0.9m. We note that borrowing reflects 92% of the capital financing requirements which is relatively high, however the MRP charge at around 2.9% of borrowing is well above the minimum expected of 2% indicating that the council funding of borrowing is appropriate.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> • Ensured that MRP has been calculated in line with the statutory guidance; • Ensured the Council’s policy on MRP complies with statutory guidance; • Assessed the reasonableness of the increase in MRP charge. • Based on the work completed we concluded that the MRP charge was reasonable. 	Light Purple

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
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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 Audit.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee and no specific instances were highlighted with is. 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	A letter of representation has been requested from the Council, a draft of which is included in Appendix F. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for business rates appeals and there is also reference to the unadjusted misstatement.

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 bankers, holders of investments in the council and lenders. 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 although some disclosure changes have been made to improve disclosures and to ensure compliance with current guidance.
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	<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 Audit 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 – refer to appendix E.</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 Audit 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</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 group audit instructions. 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 2020/21 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


Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, Audit and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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)




Audit


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 D to this report. We expect to issue our Auditor's Annual Report by 30 December 2021. 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below. Our work on this risk is underway and an update is set out below.

Risk of significant weakness	Work performed to date
<p>We identified one risk of significant weaknesses from our initial planning work:</p> <p>Financial Sustainability</p> <p>The Council forecast an underspend of £0.175m for 2020/21 as at the Quarter 3 Budget Monitoring Cabinet Report; whilst general fund balances were anticipated to remain unchanged at 31 March 2021, earmarked reserves were forecast to reduce from £8.175m to £5.898m. Whilst the Council has a healthy level of reserves and a strong history of delivering financial targets and savings, the financial challenge and uncertainty continue to increase. The Council has also been adversely impacted by the pandemic in its commercial rents and this has become an increasingly important source of income for the Council. The budget approved for 2020-21 included Wyre Forest Forward budget reduction proposals totalling £2.889m gross, all of which were anticipated to be achieved by the year end. Looking forward, there continues to be financial challenges and a need to deliver further savings, some of which have yet to be identified particularly during 2023-24.</p> <p>Due to the inherent uncertainty we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability in the medium term</p>	<p>We note that the financial outturn is different to that projected, partly due to the COVID 19 grant funding having a positive impact on outturn, increasing general fund reserves to £26.282m from £14.785m in 2019/20. Earmarked Reserves have increased to £20.682m from £8.752m with £10.62m being in relation to exceptional Covid related reserves as a result of S31 grants/reliefs to meet future obligations.</p> <p>We have reviewed your annual governance statement as part of our audit procedures and this has not identified any new risks. We will continue our review of your arrangements following completion of opinion audit and will report by the December deadline agreed with management and in line with the timetable set by the national audit office.</p>

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. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

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

Details of fees charged are detailed in Appendix D.

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 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

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, 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			
Housing Benefit Certification	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 £12,000 in comparison to the total fee for the audit of £60,181 and in particular is not significant 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.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 2 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 2021/22 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
	<p>Evidence to support the basis of provisions:</p> <p>The council has made a material provision four 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 fair 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.</p>	<p>Management should ensure that were 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 of compliance with IAS 37.</p> <p>Management response</p> <p>The requirement for a review undertaken in compliance with IAS37.59 was discussed at interim audit stage. We will ensure that in the future a review that includes compliance with IAS37.59 and also detailed calculations will be provided at the start of the audit.</p>
	<p>Evidence to support PPE Valuations:</p> <p>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.</p>	<p>Management should ensure that key evidence to support valuations is collated during the closedown process, in order to streamline the process in 2021/22.</p> <p>Management response</p> <p>The new valuer is now cognisant of the external audit requirement and has put processes in place to ensure this information is collated in advance of the audit commencement in future years.</p>

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 the Council's 2019/20 financial statements, which resulted in 1 recommendation being reported in our 2019/20 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>PPE- the council is changing the valuer in 2020/21. Valuation of land and buildings is a significant estimate in the accounts.</p> <p>The current valuer has built up his understanding of the asset base over a number of years and it is likely that the new valuer may make alternative judgements over the basis of valuations. It is important that management has a good understanding of valuations and has appropriately challenged any new assumptions which has had an impact on 20/21 valuations.</p>	<p>Avison Young were awarded the contract for valuation services (3+2 years commencing September (TBC) 2020). Extensive discussions have already taken place with the new valuer to provide additional context to the service requirement as set out in the contract specification. On receipt of early valuations for the initially agreed 20% of the Asset Portfolio it is apparent that as expected, extra dialogue and challenge is required due to the change in valuer and this is already actively taking place. Key points will be documented in final accounts working papers. This is exacerbated by the ongoing uncertainty as a result of the COVID-19 pandemic.</p> <p>Subsequent to the award of the contract it has been decided to have the whole of the estate valued in order to meet more stringent auditing standards around estimation methods/uncertainty IAS (UK) 540; due to the impact of Covid-19 pandemic on property values particularly and also due to the change in valuer. This extra work has been commissioned.</p>

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

All 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 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Adjustment for over charge of depreciation	Increase deficit on provision of services £11	Increase long term assets 1,044	
	Increase in surplus on revaluation of PPE (£1,055)	Reduction in unusable reserves (1,044).	
	Increase in in year surplus on CIES £1,044		
Overall impact	Increase in surplus £1,044		Increase in surplus £1,044

Note: the increase in surplus of £1,044 is mitigated in the MiRS

Misclassification and disclosure changes

Currently no matters to be reported

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 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	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 MIRS (161.5) CAA 161.5	n/a	immaterial.
Overall impact	£0	£0	£0	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year

D. Fees

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee	Final fee
Council Audit	£60,181	tbc
Total audit fees (excluding VAT)	£60,181	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 £58,181

- Less fee variation re 2019/20 £8,500
- Less housing subsidy fee (below) £12,000
- Plus fee variation in plan, not yet billed or agreed with PSAA £22,500

Total fee as above £60,181

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services: Housing subsidy grant claim (work is not yet completed)	£12,000	tbc
Total non-audit fees (excluding VAT)	£12,000	tbc

E. Audit opinion

Our audit 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 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 District Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; 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 Corporate Director: Resources' 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 Corporate Director: Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 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 Corporate Director: Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Corporate Director: Resources' with respect to going concern are described in the 'Responsibilities of the Authority, the Corporate Director: Resources and Deputy Chief Executive and Those Charged with Audit for the financial statements' section of this report.

E. Audit opinion

Other information

The Corporate Director: Resources 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 Audit Statement does not comply with 'delivering good Audit 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 Audit 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.

Responsibilities of the Authority, the Corporate Director: Resources and Those Charged with Audit 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 Corporate Director: Resources.

E. Audit opinion

The Corporate Director: Resources and Deputy Chief Executive 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director: Resources and Deputy Chief Executive 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 Corporate Director: Resources 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 Audit. Those Charged with Audit 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 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- 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, 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 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 journals, accounting estimates and critical judgements made by management.

E. Audit opinion

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Corporate Director: Resources has in place to prevent and detect fraud;
- journal entry testing, with a focus on management override of controls;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property 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. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from 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.
- 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 2021.

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 2021.

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 Audit, and to review regularly the adequacy and effectiveness of these arrangements.

E. Audit opinion

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 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;
- Audit: 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 District Council for the year ended 31 March 2021 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.

Use of our report

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

Peter Barber, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:

F. Management Letter of Representation

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

Dear Sirs

Wyre Forest District Council District Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Wyre Forest District Council District Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

Financial Statements

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for business rate appeals and the following change to the estimated process was made; we reconsidered the occurrence of the 'event' as required under IAS37 for recognition of a provision and as a consequence the estimate increased materially. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

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

Except as disclosed in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the Council has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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

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

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

F. Management Letter of Representation

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

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

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

We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

- a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- i. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

- a. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.

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

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

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

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

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

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

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

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

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

F. Management Letter of Representation

Annual Audit Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 29 September 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

G. Audit letter in respect of delayed VFM work

Chair of Audit Committee
Wyre Forest District Council District Council
Fine Point Way
Kidderminster

24 September 2021

Dear Audit Committee Chair

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL
T +44 (0)117 305 7600
F +44 (0)117 955 4934

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their 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 2021.

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

Yours faithfully



Peter Barber
Director



WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE REPORT****29th SEPTEMBER 2021****STATEMENT OF ACCOUNTS 2020/21**

OPEN ITEM	
CABINET MEMBER:	Councillor Mary Rayner Cabinet Member for Finance and Capital Portfolio
DIRECTOR:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Ext 2100 tracey.southall@wyreforestdc.gov.uk Helen Ogram Ext 2907 Helen.ogram@wyreforestdc.gov.uk Lisa Hutchinson Ext 2120 lisa.hutchinson@wyreforestdc.gov.uk Kathryn Pearsall Ext 2165 kathryn.pearsall@wyreforestdc.gov.uk
APPENDIX 1	Appendix 1 - Draft Letter of Representation 2020/21

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the changes that have been required to the Pre-Audit Statement of Accounts for 2020/21, so far, as a result of the ongoing audit undertaken by Grant Thornton UK LLP (Grant Thornton), and to provide an update on the current status of the external audit work.
- 1.2 The Council is also required to provide an updated version of the Letter of Representation to the auditors, before they will issue the audit opinion for 2020/21; the draft wording of this is attached for approval.

2. RECOMMENDATION

The Audit Committee is asked to **DECIDE** that:

- 2.1 **The Audited Statement of Accounts for 2020/21 be approved and authorise the Corporate Director: Resources to make any minor changes that are appropriate as part of resolution of the final external audit queries should this be necessary.**
- 2.2 **The draft Letter of Representation for 2020/21 attached at Appendix 1 be approved noting that those charged with Governance concur with the S.151 Officer's view that the changes identified in the Audit Findings Report (referenced in this report), not updated in the accounts, are not material. To also**

authorise the S.151 Officer (Corporate Director: Resources), and the Chair of the Audit Committee to make any minor changes that are appropriate as part of the resolution of the final external audit queries should this be necessary.

3. BACKGROUND

- 3.1 To take into consideration the recommendations from the Redmond Review independent report into the effectiveness of external audit and transparency of financial reporting in local authorities and also the COVID-19 roadmap to recovery, the Ministry of Housing Communities and Local Government (MHCLG) has decided that the publication date for final, audited accounts will move from 31st July to 30th September for both the 2020-21 and 2021-22 accounts. This is earlier than the 30th November deadline for the 2019-20 accounts closure, delayed due to the impact of the pandemic. Local authorities must now commence the public inspection period on or before the first working day of August 2021. The Council commenced the public inspection period on 20th July 2021 and concluded on the 30th August. Regulations implementing these measures were laid on 9th March 2021 and came into force on 31st March 2021
<https://www.legislation.gov.uk/ukxi/2021/263/regulation/2/made>
- 3.2 The 26th May Audit Committee considered the Accounting Policies, fundamental to the Statement of Accounts. The 28th July Audit Committee report summarised the Outturn position based on extracts from the Pre-Audit Statement of Accounts that was endorsed by the Corporate Director: Resources on the 16th July 2021. A full copy of the Pre-Audit Statement of Accounts was made available on the Council's Intranet for Members' perusal on the 19th July 2021 when they were also shared with the Grant Thornton external audit team, for the formal start of the audit on the 19th July 2021.
- 3.3 A Strong Leader Cabinet report setting out the Provisional Final Accounts position was published on the 19th July 2021.
- 3.4 Following Audit Committee on the 28th July which received the pre-audit Statement of Accounts a further meeting was planned for the 27th September 2021, for Members of the Audit Committee to receive the External Audit Findings Report and approve the audited Statement of Accounts. As previously reported the external auditors indicated they will be taking a different approach to their work this year, in accordance with revised auditor standards and application guidance. In particular there will be more emphasis on risks of significant Value for Money weaknesses.
- 3.5 As a consequence of the revised approach and significant additional requirements for evidence, the Audit Committee meeting was rearranged for the 29th September. Despite significant progress being made with the outstanding audit work, the audit remains a work-in-progress at the time of writing. The Grant Thornton and Wyre Forest teams continue to work to resolve these issues to enable the Council to achieve sign-off of the Statement of Accounts by the statutory deadline; a further update on progress will be provided at the meeting. The intention is for the accounts to be formally published after the 29th September 2021, preferably to meet the statutory deadline, or as soon as possible, dependent on when Grant Thornton is able to issue their Audit Opinion.
- 3.6 A longer timeframe of the end of December 2021 has now been confirmed for the Value for Money audit sign off. Work on this has not yet commenced, Grant Thornton plan to resource this later in the year so this will be reported separately to Audit Committee.

- 3.7 During the course of the audit there were a number of issues raised by the Auditors as set out in the Audit Findings Report (AFR) also on this agenda. For most but not all of these issues the Accounts were amended accordingly. The AFR sets out the detail in relation to each of these issues. Most of these were changes to notes or additional disclosures that improve the presentation of the clarity of the financial statements for the users of the accounts.
- 3.8 There was a significant increase in auditor challenge requiring additional work to evidence the correct accounting this year, in particular, for Property, Plant and Equipment, Pensions, accounting for Covid - in relation to agent versus principal accounting - and Business Rates Provisions. The appointment of the new external valuer resulted in additional work to provide appropriate assurance for Grant Thornton. Avison Young worked well with the Council to understand the audit requirements and ensured sufficient professional resource from their team was available. There was an issue that required restatement of the depreciation for Property Plant and Equipment due to a sequencing change related to the revised date of valuation of assets by the new valuer this year. This change has been made. It does not impact on the Council's final outturn. However, it did result in an improved Balance Sheet position. This is detailed within the Audit Findings Report also on this agenda. The changes that have not been made are below the materiality levels and not of consequence to the reader of the accounts; none would have impacted on the Council's reported outturn position.
- 3.9 The pension (IAS19) disclosures in the 2020-21 accounts proved problematic due to national issues regarding pension fund liability valuations due to market volatility as a result of COVID. However, the actuaries have confirmed that they do not expect there to be a material impact on our liabilities as the remedy was broadly as expected and no restatement was required this year.
- 3.10 Grant Thornton has not yet concluded its audit of the accounts and at the time of writing it is not yet known when it intends to provide their opinion. Subject to completing their remaining audit procedures, as set out on page 5 of the Audit Finding Report, receiving responses to outstanding queries and having regard to any further national guidance, they anticipate issuing an unqualified audit opinion following the receipt of the letter of assurance from the Worcestershire County Pension Fund auditor in late September 2021. An update will be provided at the meeting.
- 3.11 Incorporating the agreed changes, the Statement of Accounts will be published following approval by the Audit Committee and receipt of the external Audit Opinion, it will also be made available on the Council's web-site with the aim of publication by the end of September or as soon as possible after that date.
- 3.12 Albeit that work on the audit is ongoing, a draft Letter of Representation is attached at Appendix 1. In view of the fact that there are a small number of changes to the accounts identified during the audit that have not been reflected in the revised Statement of Accounts, the Audit Committee are asked, as part of this report recommendation, to formally concur with the view of the S.151 Officer that these changes are not material to the accounts. Authority is also sought for any final minor changes to the Letter of Representation to be signed off by the S.151 Officer (Corporate Director: Resources), and the Chair of the Audit Committee once the Audit is complete with a copy being circulated to all Audit Committee Members.

3.13 A full copy of the latest revised Statement will be emailed to all Audit Committee members before the meeting; a final copy will also be circulated prior to publication.

4. KEY ISSUES

4.1 The audit of the Statement of Accounts for 2020/21 has not yet been concluded. Key issues are presented in the draft Audit Findings Report and summarised below:

- Grant Thornton has not yet been able to confirm if it will issue an unqualified opinion. This is subject to outstanding queries being resolved and the finalisation of the audit.
- The revised audit approach this year has been resource intensive and made the timeline extremely challenging for both the Council and Grant Thornton.
- There was one issue that required restatement of the depreciation for Property Plant and Equipment due to a sequencing change related to the revised date of valuation of assets by the new valuer this year. This change has been made; it does not impact on the Council's final outturn. This resulted in a material change to the Council's Comprehensive Income and Expenditure Statement, the impact of which was reversed out in the Movement in Reserves Statement. There was also an improved Balance Sheet position.
- There are a small number of changes related to property valuations that have not been made since they are below the materiality levels and not of consequence to the reader of the accounts.
- The VFM audit has not yet commenced. This will be reported to the later timetable.
- A small number of adjustments were recommended to improve presentation and these adjustments were made. These adjustments are detailed in Audit Findings Report.

5. FINANCIAL IMPLICATIONS

5.1 This is a financial report identifying changes to the Statement of Accounts 2020/21 following the audit and seeking delegation for the finalisation of the Letter of Representation.

5.2 The Audit Findings Report also sets out additional work in respect of the revised approach required of Grant Thornton this year, along with the impact on the audit fee. The proposed additional fees will be subject to approval by Public Sector Audit Appointments Limited in line with the terms of appointment. The proposal for increases in audit fees is in line with national developments following the Redmond Review and increase in regulation of external audit work.

5.3 The VFM audit work will be undertaken and reported at a later date.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 It is a requirement of the Accounts and Audit Regulations 2015 as amended that the audited Statement of Accounts for 2020-21 is published by 30th September 2021. The Statement of Accounts must comply with all the other requirements set out in the 2015 Regulations.

7. RISK MANAGEMENT

- 7.1 The principal risk to the Council is non-achievement of the revised statutory deadline, in respect of production and approval of the Statement of Accounts before 30th September 2021, and qualification of the Accounts by the Council's External Auditors. Officers continue to work in close liaison with Grant Thornton to response to queries or additional evidence requests to mitigate the risk of not meeting the deadline and will aim to publish as soon as is possible if the deadline is not met.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

9. CONCLUSION

- 9.1 This report details the process for the finalisation of the Statement of Accounts for 2020/21 provides an update on the progress of the external audit.

10. CONSULTEES

- 10.1 CLT/Cabinet
10.2 Grant Thornton – External Auditors

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit Regulations 2015
11.2 Financial Strategy 2021-24
11.3 Regulations implementing measures to allow more time for the accounts closure were laid on 7th April and came into force on 30th April 2020:
The Accounts and Audit (Amendment) Regulations 2021
<https://www.legislation.gov.uk/ukxi/2021/263/regulation/2/made>
11.4 The Redmond Review: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-Review>
11.5 Strong Leader Report on Provisional Outturn 2020/21 Final Accounts published 19th July 2021
http://www.wyreforest.gov.uk/council/docs/doc56805_20210719_cabinet_decision_report.pdf

- 11.6 Audit Committee 28th July 2021 – Report on the Provisional Final Accounts Outturn 2020/21 – agenda item 7

http://www.wyreforest.gov.uk/council/docs/doc56777_20210728_audit_agenda.pdf



Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Tracey Southall
Corporate Director: Resources
tracey.southall@wyreforestdc.gov.uk
01562 732100

Ref: TS/SB
Date: 29th September 2021

Dear Sirs,

**Wyre Forest District Council
Financial Statements for the year ended 31st March 2021**

This representation letter is provided in connection with the audit of the financial statements of Wyre Forest District Council District Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory

authorities that could have a material effect on the financial statements in the event of non-compliance.

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for business rate appeals and the following change to the estimated process was made; we reconsidered the occurrence of the 'event' as required under IAS37 for recognition of a provision and as a consequence the estimate increased materially. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The

Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

- xii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and

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

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

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

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

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

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

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

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

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

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

Annual Audit Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 29 September 2021.

Signed on behalf of the Council

Name: Tracey Southall
Position: Corporate Director: Resources
Date: 29th September 2021

Signed on behalf of the Governing Body

Name: Councillor Roger Coleman
Position: Chair of the Audit Committee
Date: 29th September 2021