# The Audit Findings for Telford & Wrekin Council

**Year ended 31 March 2021**

Telford & Wrekin Council

28 September 2021

# Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Name : Grant Patterson
For Grant Thornton UK LLP
Date : 28 September 2021

# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Telford and Wrekin Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

## Financial Statements

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

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

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

Our audit work was completed remotely during June-September. Our findings are summarised on pages 4 to 20.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to resolution of the outstanding matters listed on page five.

We have identified several adjustments to the financial statements that have resulted in a £13.3m adjustment to the Council's Comprehensive Income and Expenditure Statement (net £15m impact on the group). Audit adjustments and unadjusted misstatements are detailed in Appendix C.

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

The Council has identified a potential uncertainty in respect of the value of land and buildings not valued in the year of £6.9m (pages 8, 11 and 26). The Council is not proposing to commission formal valuations on these assets on the basis that the estimated difference is not material and would not mislead readers of the accounts. We have reviewed the estimate and are satisfied that the sums are not material individually or in aggregate. The Audit Committee will be asked to confirm its agreement with management's proposal not to adjust through the Letter of Representation.

We have made two recommendations for improvement in Appendix A in respect of:

- putting in place an additional layer of quality checks in respect of figures within the fixed assets register, and
- review of the procedures around monitoring Useful Economic Lives within the Council's asset base.

Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our anticipated audit report opinion will be unmodified.

# 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 Appendix E to this report. We expect to issue our Auditor's Annual Report by 31 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. As noted in our audit plan (presented to the Committee in May 2021) we identified risks in respect of financial sustainability (in respect of the high level of uncertainty in the wider sector in relation to future funding arrangements) and governance and decision making (in respect of the significant investments the Council is making in housing and property in the local area). We are yet to finalise procedures in this area of our Value for Money work, however progress against this objective is outlined in the Value for Money arrangements section of this report. We will note any significant findings or recommendations in our Auditor's Annual Report.

## 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 Audi tor's report in November 2021.

## Significant Matters

With the exception of obtaining supporting documentation for the tranches of land identified as part of our sample testing referred to later in the report, we did not encounter any significant difficulties or identify any significant matters arising during our audit.

# 2. Financial Statements

## Overview of the scope of our audit

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

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

## Audit approach

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

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that specified audit procedures for investment property balances in the accounts of NuPlace Ltd. were required, which were completed by Dyke Yaxley; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 28 September 2021. These outstanding items include:

- receipt of supporting documentation in relation to the valuation of three tranches of land selected as part of our sample for testing on land and buildings valuations;
- receipt of IAS 19 assurances from the auditors of Shropshire County Pension Fund;
- receipt of management representation letter; and
- review of the final set of financial statements.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our audit plan presented to the Audit Committee in May 2021, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote access working arrangements, remote accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the entity and access to key data from Council staff. We would like to record our appreciation of the Council's finance team for their assistance with these challenges during the audit.

# 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 on 27 May 2021.

We detail in the table below our determination of materiality for Telford and Wrekin Council

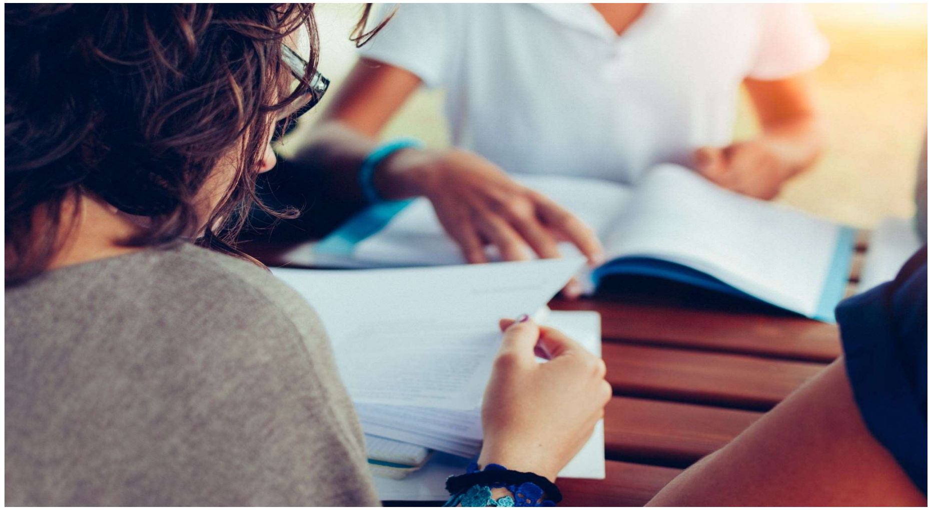
| | Group Amount (£) | Council Amount (£) | Qualitative factors considered |
|---|---|---|---|
| Materiality for the financial statements | 7.6m | 7.5m | We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 1.9% of prior period gross expenditure. We did not identify a requirement to change this upon receipt of draft financial statements. |
| Performance materiality | 5.8m | 5.75m | Based on the internal control environment at the Council we determined that 75% of headline materiality would be an appropriate benchmark. |
| Trivial matters | 0.38m | 0.375m | We decided that matters below 5% of materiality were trivial. |
| Materiality for senior officers remuneration. | N/a | 0.1m | We identified senior management remuneration as a sensitive item and set a lower materiality of £100k for testing these items. |

# 2. Financial Statements - Significant risks

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

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

| Risks identified in our Audit Plan | Commentary |
|---|---|
| Management override of controls (group and Council)<br><br>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.<br><br>We therefore identified management override of controls, in particular in relation to journals, management estimates and transactions outside the course of business as a significant risk of material misstatements. | We have:<br>• evaluated the design effectiveness of management controls over journals<br>• analysed the journals listing and determined the criteria for selecting high risk unusual journals<br>• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration<br>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness<br>• performed a review of consolidating journals for production of group accounts and considered whether the component auditor's work on property valuations is indicative of management bias or override of controls.<br><br>Our audit work has not identified any issues in this area. We are satisfied that there is no evidence of material management override of control or bias. |



# 2. Financial Statements - Significant risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| Improper revenue recognition (group and Council)<br>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.<br>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.<br>As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure. | At the planning stage, having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council , we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:<br>- there is little incentive to manipulate revenue and expenditure recognition;<br>- opportunities to manipulate revenue and expenditure recognition are very limited; and<br>- the culture and ethical frameworks of local authorities, including Telford & Wrekin Council, mean that all forms of fraud are seen as unacceptable.<br>Therefore we did not consider this to be a significant risk for Telford & Wrekin Council.<br>Additional revenue recognised via the group accounts is not material and therefore does not present a further risk of material misstatement. We have continued to update our risk assessment during the course of the audit but have not come across any findings which would cause us to change this position. |
| Valuation of land and buildings (group and Council)<br>The Council revalues its land and buildings on a rolling five-yearly basis, and investment properties annually. In addition to this, its subsidiary, NuPlace, holds a highly material balance of investment property which is also revalued annually.<br>This valuation process represents a significant estimate by management in the financial statements due to the size of the numbers involved (Council PPE Land & Buildings were valued at £341m in the draft accounts, £178m for investment property across the group, of which £108m related to the Council) and the sensitivity of this estimate to changes in key assumptions.<br>Additionally, management need to ensure that the carrying value of assets in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling program is used.<br>We have therefore identified valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement. | We have:<br>- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;<br>- Evaluated the competence, capabilities and objectivity of the valuation expert;<br>- Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA Code are met;<br>- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;<br>- Engaged our own valuer to assess the instructions to the Council's valuer, the Council valuer's report and the methodology and assumptions that underpin the valuation;<br>- Tested revaluations made during the year to see if they had been input correctly into the Council's Balance Sheet;<br>- Agreed a series of similar procedures to be carried out on the component, NuPlace's, Balance Sheet with their auditor and reviewed and concluded on the work performed.<br>A desktop review of assets not revalued against relevant property indices suggested that there is a non-trivial but below material estimation uncertainty of approximately £6.9m in relation to assets which were not revalued in the year. Further details of this are provided at Appendix C.<br>Our work in this area is substantially complete. However, prior to being able to issue our conclusion we await receipt of the underlying supporting documentation for asset valuations in relation to three tranches of land identified as part of our sample. |

# 2. Financial Statements - Significant risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| Valuation of pension fund net liability (Council only)<br>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.<br>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£391m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.<br><br>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.<br><br>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.<br><br>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in either of these two assumptions would have approximately £17m effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk. | We have:<br>• updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;<br>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;<br>• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;<br>• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;<br>• 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;<br>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and<br>• requested assurances from the auditor of Staffordshire 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.<br>In line with other comparator organisations across the sector, the Council opted to prepay an element of its Future Service Rate (FSR) contributions to the scheme. Audit testing identified that this had initially been treated as a prepayment; our view is that, owing to the nature of the payment, this is not the appropriate accounting treatment. An adjusting entry has been agreed with management. Further details are provided in Appendix C.<br>Additionally, a material understatement of assets was identified by the auditors of Shropshire County Pension Fund and an adjusting entry posted. Given the high percentage of the assets of the scheme owned by the Council, this translated to a material adjusting entry in the Council's financial statements. Further details are provided at Appendix C. For clarity, this adjustment is a function of timing differences between valuation and reporting dates in relation to complex, hard to value assets held by the pension fund. We do not deem this to be indicative of a control weakness either at the Council or the Fund.<br>We are awaiting to receive the IAS 19 assurance letters from the auditors of Shropshire County Pension Fund before we can complete our testing on valuation of the pension fund net liability. However, we are not aware of any further issues which may have a material impact on the financial statements. |

# 2. Financial Statements – Key findings arising from the group audit

| Component | Component auditor | Findings | Group audit impact |
|---|---|---|---|
| NuPlace Ltd. | Dyke Yaxley | During the planning stage, Grant Thornton issued group instructions to the component auditors, Dyke Yaxley, with regards to specified procedures in relation to the valuation of investment properties held by NuPlace which are material to the group financial statements.<br>The work carried out by NuPlace included:<br>- Consideration of the completeness and accuracy of information provided to the management of NuPlace's valuations expert;<br>- Consideration of the competence and capabilities of management's expert;<br>- Testing of source data and inputs to valuation calculations;<br>- Consideration of the possible impact of the Covid 19 pandemic on the valuations;<br>- Consideration of movements on the valuations against comparator information;<br>Grant Thornton also met with Dyke Yaxley to review their audit working papers and received audit documentation from the component auditor to evidence their procedures.<br>Following completion of their program of work, Dyke Yaxley concluded as follows: "we are satisfied that the valuers used to value the investment properties are qualified and competent, and the report provided for use during the audit is relevant and reliable". | The possibility of a material misstatement arising in relation to valuations of land and buildings (including investment property) was deemed a significant risk at the group and Council level during audit planning.<br>The work performed by the component auditor underpins our assessment of this area.<br>Based on our review of the work of the component auditor and ongoing discussions with the engagement team, we are able to take assurance from Dyke Yaxley's work that the valuation of the investment properties held by NuPlace are not materially misstated. |

# 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 |
|---|---|---|---|
| Land and Building valuations (PPE):<br><br>Other Land and Buildings £341m for the Council<br><br>Investment Property - £178m for the group, (£108m for the Council) | The population comprises a combination of specialised assets requiring valuation at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision, other land and buildings which are not specialised in nature and are required to be valued at either existing use value (EUV) or based on other criteria, such as gross internal area (GIA) and investment properties which are valued based on their yield as cash generating assets or market value.<br><br>The total year end valuation of land and buildings was £519m for the group (including investment properties), a net increase of £66m, including additions, from 2019/20 (£453m).<br><br>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2020 by applying relevant indices to determine whether there may have been a material change in the total value of these properties. Management's assessment of assets not revalued has identified a possible significant (but not material) increase in values of approximately £6.9m. However, given that this is not a material value, no further formal valuations have been undertaken. | In addition to substantive testing of the Council's accounting for revaluations and key underlying inputs to estimation calculations and consistency checks on data provided to the valuer, the audit team also engaged an independent auditor's expert to review the methodology and assumptions employed by the Council's internal valuer and provide additional challenge questions in this area as well as performing our own review of the capabilities and competence of the valuer.<br><br>Furthermore, we engaged with the component auditors to obtain similar assurances in respect of the valuations work performed in respect of the subsidiary financial statements (also performed by the Council's internal valuations team).<br><br>Overall, our audit work provided sufficient assurance over the processes and methodology adopted by management and their expert in arriving at this estimation.<br><br>However, an audit adjustment of £1.35m was noted with regards to an error in posting valuations data to the general ledger. We have considered the Council's assessment of the large (but not material) potential understatement in relation to assets not revalued of approximately £6.9m and are satisfied that this is reasonable and its estimation process is appropriate. However, given the sum the Council should consider whether extended valuations will be required in 2021/22.<br><br>As at the report date, we have not been able to obtain underlying supporting calculations for the valuation of three tranches of land identified as part of our sample for substantive testing in this area. Therefore, whilst our assessment so far suggests the Council's basic process is sound, some issues exist with application of the process in practice. | We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

**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 – £365m** | The Council's net pension liability at 31 March 2021 is £365m. This is in relation to the Council's obligations as a member employer of the Shropshire County Pension Fund, part of the Local Government Pension Scheme. The Council uses Mercer to provide actuarial valuations of their assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.<br><br>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been an approximate £37m increase in the liability during 2020/21. | See below | We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

**Audit Comments**

We have:

- Undertaken an assessment of management's expert;
- Reviewed and assessed the actuary's roll forward approach taken;
- Used an auditor's expert (PWC) to assess the actuary and assumptions made by the actuary; and reviewed the;
  - 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 LGPS pension assets.
  - Reasonableness of increase/decrease in estimate
  - Adequacy of disclosure of estimate in the financial statements.

| Assumption | Actuary Value | PwC range | Assessment |
|---|---|---|---|
| Discount rate | 2.10% | 2.10% - 2.2% | |
| Pension increase rate | 2.70% | 2.70% | |
| Salary growth | 3.95% | 3.95% - 4.2% | |
| Life expectancy – Males currently aged 45 / 65 | 24.3 | 22.5 -24.7 | |
| Life expectancy – Females currently aged 45 / 65 | 26.7 | 25.9 -27.7 | |

We have also requested assurances from the auditors of Shropshire County Pension Fund in relation to the controls in place at the scheme's administering authority and around the transfer of data to the actuary for the purposes of estimation of the liability. We have not yet received the final report but have no indication so far that there are material issues with the data used by the actuary.

# 2. Financial Statements - key judgements and estimates

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|---|---|---|---|
| Single status provision - £9m | Single status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce.<br>Based on national guidance at the time, the Council calculated an initial provision for £12m, approximately 4% of the Council's pay related expenditure at the time.<br>Although the agreement was effective from 1 April 2007, the process of arriving at an agreement with staff and unions is not yet complete.<br>In 2019/20 the Council opted to review the position. Noting that the work force had decreased by approximately 25% over that period and an understanding, based on legal advice, in respect of the likely number of claims the Council opted to reduce the balance by a comparable amount to £9m. | We discussed this issue with the Council and challenged their rationale behind continued inclusion of the estimate in the accounts. Based on these discussions and support provided for the underlying value and movements towards an eventual resolution, we are satisfied that it remains appropriate to include this provision at this value within the financial statements. | We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

**Assessment**

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

# 2. Financial Statements - other communication requirements

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

| Issue | Commentary |
|---|---|
| Matters in relation to fraud | We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any instances of material fraud 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, including specific representations in respect of the Group, which is included in the Audit Committee papers. |
| Confirmation requests from third parties | We requested from management permission to send various confirmation requests to the Council's investment and banking partners. This permission was granted and the requests were sent and 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. We noted an issue with the Council's Expenditure and Funding Analysis (EFA). In our view, the disclosure is not Code compliant. However, audit procedures determined that the underlying accounts are not misstated and this is a presentational issue. We are satisfied that the impact is not material and have agreed that the Council will review their approach in the coming year. Further information is provided in Appendix C. |
| Audit evidence and explanations/ significant difficulties | All information and explanations requested from management were provided, with the exception of the supporting working papers behind the valuation of the three tranches of land detailed in the investment section (as at the report date). |

# 2. Financial Statements - other communication requirements

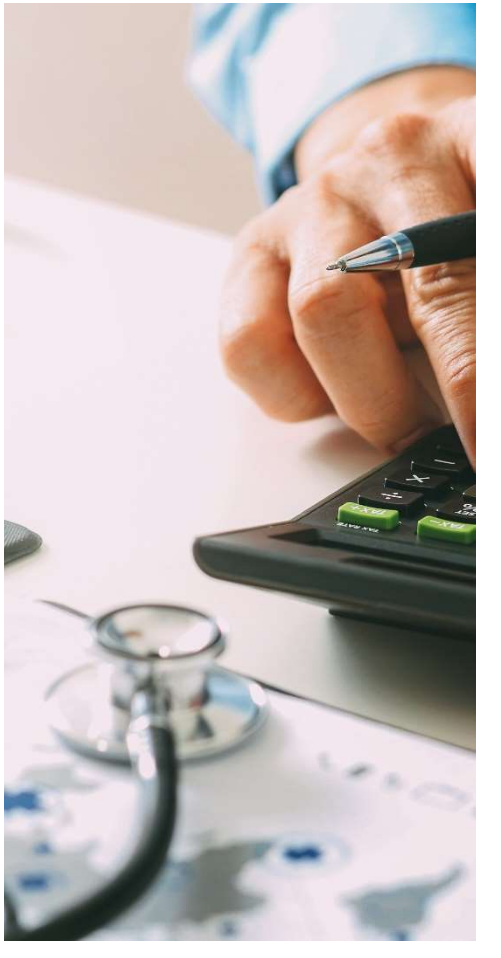
### Our responsibility

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

| Issue | Commentary |
|---|---|
| Going concern | In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.<br><br>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:<br>• 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<br>• 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.<br><br>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:<br>• the nature of the Council and the environment in which it operates<br>• the Council's financial reporting framework<br>• the Council's system of internal control for identifying events or conditions relevant to going concern<br>• management's going concern assessment.<br><br>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:<br>• a material uncertainty related to going concern has not been identified<br>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |

# 2. Financial Statements - other responsibilities under the Code

| Issue | Commentary |
|---|---|
| Other information | We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.<br>No inconsistencies have been identified.<br>We plan to issue an unmodified opinion in this respect. |
| Matters on which we report by exception | We are required to report on a number of matters by exception in a number of areas:<br>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,<br>• if we have applied any of our statutory powers or duties.<br>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness<br>We have nothing to report on these matters. |
| Specified procedures for Whole of Government Accounts | We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.<br>We anticipate that detailed group instructions will be issued in December. Our expectation, based on prior period experience, is that the Council will be below the threshold for detailed procedures. We will report back to the Committee at a subsequent meeting. |
| Certification of the closure of the audit | We intend to delay the certification of the closure of the 2020/21 audit of **Telford & Wrekin Council** in the audit report, due to the later completion of VfM and WGA 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, governance 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)

### Governance

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

## Potential types of recommendations

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

### Statutory recommendation

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

### Key recommendation

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

### Improvement recommendation

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

# 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 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 the risks set out in the table below. Our work on these risks is underway and an update is set out below.

| Risk of significant weakness | Work performed to date |
|---|---|
| Financial Sustainability<br>(risk as reported in our audit plan)<br><br>Whilst the Council is forecasting a robust financial position at the year end and has historically demonstrated a capacity for sound financial management, in common with the sector as a whole significant uncertainty remains around future financial settlements and viability of savings plans as the local and national economies recalibrate to the 'new normal' following the pandemic.<br><br>We will therefore challenge the Council's forecasting process with a particular focus on the underlying support for assumptions around future funding streams and savings plans. | We identified a general risk to the Council's arrangements in relation to Financial Sustainability as a result of the widespread uncertainty in the sector in relation to future funding arrangements and the impact of the Covid 19 pandemic.<br><br>We have conducted a document review and have spoken to officers of the senior leadership team and sought corroborating evidence to the discussions held about the arrangements in place. We will update our analysis with reference to the latest sector financial settlement in the Autumn. We are in the process of drawing our findings together but have not identified any significant weaknesses from the work done to date. |
| Governance and decision making<br>(risk as reported in our audit plan)<br><br>We note that the Council continues to demonstrate an entrepreneurial and positive outlook despite the economic uncertainty, looking to engage in significant investments in its subsidiary and other activities with a more commercial focus. The current heightened level of uncertainty would indicate opportunities and also greater level of risk attached to these plans and highlights the importance of strong governance and good information within the decision making process.<br><br>We will therefore review the arrangements in place for developing the business cases underpinning these plans as well as ensuring that decisions made have been subject to appropriate levels of scrutiny within the Council's internal assurance processes. | We identified a possible risk in relation to the Council's governance in relation to its decision making processes with regards to investment decisions. Our work so far has focused on reviews of documentation relating to the Council's governance structures and review of the Internal Audit program in this area and other sources of assurance.<br><br>We will continue our review and update further via the Auditor's Annual Report. Again, we have not identified any significant weaknesses from the work done to date. |

# 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

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)]

## 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 group. 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 | | | |
| Certification of Teachers Pension Return | 4,500 | 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 £4,500 in comparison to the total fee for the audit of £144,182 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| | | Self review (because GT provides audit services) | To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. |
| Certification of Housing Benefit Claim | 10,500 | 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 £10,500 in comparison to the total fee for the audit of £144,182 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| | | Self review (because GT provides audit services) | To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. |

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified two recommendations for the group 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 |
|---|---|---|
| Medium | From our audit review of controls and procedures in place around accounting for fixed assets, we noted that management does not have a procedure in place for a final review of the Fixed Asset Register to confirm completeness and accuracy prior to reporting. We also noted an audit adjustment in relation to an incorrectly posted valuation adjustment and one in relation to an asset which should not have been included on the balance sheet. . | We recommend that management build in an additional layer of review to ensure completeness and accuracy of the Fixed Asset Register prior to production of the final accounts.<br><br>Management response<br><br>• The process for maintaining and updating the Fixed Asset Register will be reviewed and, within time and resource constraints, further checks will be included to reduce the risk of errors. |
| Medium | We identified a small number of assets which had not been depreciated appropriately in the fourth quarter of the 2020/21 financial year. This resulted in a non-trivial (but not material) audit adjustment. | We recommend that management review its procedures around monitoring Useful Economic Lives of its asset base.<br><br>Management response<br><br>• The financial system supplier has provided an update which has resolved the specific issue of the assets not depreciated in 2020/21. Procedures in relation to monitoring Useful Economic Lives will be reviewed. |

**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 Telford & Wrekin Council's 2019/20 financial statements, which resulted in one recommendation being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---|---|---|
| ✓ | It was noted that not all declarations of interest were received in 2019/20 and a recommendation was made to ensure that all responses were received as part of the 2019/20 accounts process. | We were able to obtain a complete set of declarations as part of the audit process. |

**Assessment**

✓ Action completed

X Not yet addressed

# C. Audit Adjustments

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

## Impact of adjusted misstatements

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 to Fixed Asset Register to derecognise Academy school assets no longer controlled by the Council. | 574 | (574) | 574 |
| Correction of depreciation not charged on seven assets for four months of the year. | 464 | (464). | 464 |
| Correction to asset valuation. | 1,359 | (1,359) | 1,359 |
| Adjusting entry to recognise increase on assets within the Pension Fund as a result of the timing issue described earlier in the repot. (Note: this is a balance sheet movement only, however this will also be reflected in Other Comprehensive Income on the face of the CIES) | (15,697) | 15,697 | (15,697) |
| Correction of entry in relation to Collection Fund accruals and Bad Debt Provision. | 0 | DR Expected Credit Loss 1,252<br>CR Collection Fund accrual 1,252 | 0 |
| Correction to accounting treatment of prepaid pensions contributions. | 0 | DR Pensions Reserve 10,500<br>CR Prepayments 10,500 | 0 |
| Group accounts – update to investment property balance to reflect Fair Value basis. | (1,694) | 1,694 | (1,694) |
| Overall impact: Council | (13,300) | 13,300 | (13,300) |
| Overall impact: Group | (14,994) | 14,994 | (14,994) |

# C. Audit Adjustments

## Misclassification and disclosure changes

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

| Disclosure issue | Auditor recommendations | Adjusted? |
|---|---|---|
| The Financial Instruments note initially included prepayments, deferred income and Housing Benefits overpayments as financial instruments. These are not financial assets or liabilities arising from a contractual obligation and therefore do not meet the criteria. This resulted in an amendment of approximately £10m to financial assets disclosures and £2m to financial liabilities. This is a disclosure amendment only; no adjusting accounting entries were required. | An amendment to the note was agreed with management, removing these from the disclosure. | ✓ |
| The Council amended its reporting line structure within the CIES. The CIPFA Code calls for a clarifying note to be provided where this has happened and has a material effect. | Management prepared an explanatory note restating the prior period comparator and explaining the year on year movements. | ✓ |
| Audit procedures identified an amount in relation to leases which had been double counted in note 34 (Capital Expenditure and Financing). | Management amended the disclosure. | ✓ |
| ESFA issued final figures regarding DSG deployment and requested that all authorities amend their accounts accordingly. | Management amended note 6 per ESFA advice. | ✓ |
| Audit procedures identified an inconsistency between note 14 and the Expenditure and Funding Analysis. We determined that the opening column of the EFA should include all adjustments to General Fund and related balances such as school balances. The Council's presentation takes the starting point as non earmarked General Fund balances. This results in a £35m variance between total adjustments between accounting and funding basis per the EFA and Note 14. However, we have reviewed the individual reserve balances and are satisfied that this is a presentational issue as opposed to evidence of a misstatement of underlying accounts. We do note feel that this is a material issue preventing sign off of the accounts. | Management have agreed to review their presentation of this note in the coming year – a reconciliation has been included to clarify the variance between presentation per the MiRS/Note 14 and the EFA. | No |
| The pupil premium disclosure in note 41 was amended by £645k to match final allocations. This was a disclosure change only; no adjusting accounting entries were required. | Management have amended in line with audit findings. | ✓ |
| Opening PFI balance per the PPE disclosure note was amended by £6.8m to reflect the correct balance. This is a disclosure amendment only; no adjusting accounting entries were required. | Management have amended in line with audit findings. | ✓ |

# 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 |
|---|---|---|---|---|
| Indexation applied to assets not revalued in the year suggested a possible understatement of £6.9m | | DR PPE 6,900<br>CR Reval reserve (6,900) | 0 | Not material – indexation is indicative only and does not constitute a formal revaluation. |
| Overall impact | 0 | 0 | 0 | |

## Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2019/20 financial statements.

# D. Fees

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

| **Council audit** | | **2020/21 Proposed Fee** | **2020/21 Final Fee** |
|---|---|---|---|
| Scale fee published by PSAA | | £90,182 | |
| *Ongoing increases to scale fee first identified in 2019/20* | | | |
| Raising the bar/regulatory factors | £4,000 | | |
| Enhanced audit procedures for Property, Plant and Equipment | £3,500 | | |
| Enhanced audit procedures for Pensions | £3,500 | | |
| Continuing 2019/20 Fee Variations | | £11,000 | |
| *New issues for 2020/21* | | | |
| Additional work on Value for Money (VfM) under new NAO Code | £26,000 | | |
| Increased audit requirements of revised ISAs 540/240/700 (including appointment of auditor's valuation expert) | £17,000 | | |
| *Proposed increase to agreed 2019/20 fee* | | £43,000 | |
| Total audit fees (excluding VAT) | | £144,182 | £144,182 |

| **Non-audit fees for other services** | **Proposed fee** | **Final fee** |
|---|---|---|
| Housing Benefit Certification | 10,500 | TBC |
| Teachers Pension Certification | 4,500 | TBC |
| Total non-audit fees (excluding VAT) | £15,000 | TBC |
| TOTAL Audit Fees | £159,182 | TBC |

# E. Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Councillor Nathan England
Audit Committee Chair
Telford & Wrekin Council
Addenbrooke House
Ironmasters Way
Telford
TF3 4NT

Dear Councillor England, Chair of Audit Committee as TCWG,

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

**Grant Patterson**

Director and Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

# F. Audit opinion

Our audit opinion is included below.

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

## Independent auditor's report to the members of Telford and Wrekin Council

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of Telford and Wrekin Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Authority Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Authority Movement in Reserves, the Group Movement in Reserves, the Balance Sheet, the Cash Flow 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 group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's 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 group and 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 Director of Finance and Human Resources's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group'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 or the group to cease to continue as a going concern.

In our evaluation of the Director of Finance and Human Resources's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that the Authority and group'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 group and 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 group and Authority and the group and 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 or the group'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.

# F. Audit opinion

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

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

### Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

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 Director of Finance and Human Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities (set out on page 22), 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 Director of Finance and Human Resources. The Director of Finance and Human Resources is responsible for the preparation of the Annual Financial Report and 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 Director of Finance and Human Resources 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 Director of Finance and Human Resources is responsible for assessing the Authority's and the group'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 and the group will no longer be provided.

# F. Audit opinion

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and 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, Local Government Act 2003 and the Local Government Act 1972.
- We enquired of senior officers and the Audit Committee, concerning the group and 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 and group'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 processed by senior finance officers, as we would not expect them to be involved in the normal day to day operations of the general ledger
  - Journals with a blank descriptions, as this could indicated that there is not a legitimate reason for posting a journal.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance and Human Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus on any journals posted by senior finance officers and those with a blank description;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of 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.

# F. Audit opinion

- 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.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimate related to defined benefit pensions liability valuations, and did not identify an areas of non-compliance.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditor'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 and group 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 and group'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 and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

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

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

# F. Audit opinion

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Telford and Wrekin 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; and
- Whole of Government Accounts.

### 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.

Signature:

Grant Patterson, Key Audit Partner

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

Birmingham

Date: xx September 2021

# G. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

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

Dear Sirs

## Telford and Wrekin 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 Telford and Wrekin Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 group and Authority'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 group and Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the group and Authority 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. Such accounting estimates include PPE valuations, the valuation of the pension fund liability and the measurement of financial instruments. 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. 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.

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

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

  vi. there are no unrecorded liabilities, actual or contingent

  vii. none of the assets of the group and Authority has been assigned, pledged or mortgaged

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

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

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

# G. Management Letter of Representation

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

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

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

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

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Authority'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 group and Authority means that, notwithstanding any intention to liquidate the group and  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 group and Authority'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 group and Authority's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the group and Authority'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 Authority 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.

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

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

xviii. 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.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Authority, 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.

xx. 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.

# G. Management Letter of Representation

xxi. 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.

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Authority’s Audit Committee at its meeting on 28 September 2021.

Yours faithfully

Name……………………………

Position…………………………

Date……………………………

Signed on behalf of the Authority

Grant Thornton

grantthornton.co.uk