This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated 22 April 2024.

The DRAFT Audit Findings for Borough of Telford and Wrekin Council

Year ended 31 March 2023

April 2024

Contents

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.

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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.

Grant Patterson

Name: Grant Patterson
For Grant Thornton UK LLP
Date: 30 April 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Borough of Telford and Wrekin Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 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 July 2023-April 2024. Our findings are summarised on pages 6 to 21.

As detailed on page 9 and reported in 2021/22 we identified an issue with the classification of investment properties (£139m) and the Council has now determined that these should be re-classified as other land and buildings. Alongside this the Council also determined in 2021/22 that its Single Status Provision of £12.5m (Council and Schools) should be reclassified as a reserve as the conditions for recognising it as a provision no longer existed. As the 2022/23 unaudited accounts were published before the 2021/22 audit was finalised it has meant that there have had to be material adjustments to the 2022/23 financial statements as a result of the changes in 2021/22. These are summarised in Appendix D.

Through our work on 2022/23 we have also identified several adjustments to the financial statements, as detailed in Appendix D, the most significant which are:

- capital grant and contribution income has been incorrectly credited to service income instead of 'below the line' in Taxation & Non-Specific Grant Income & Expenditure. The value of this misclassification is £33.4m for the 202-23 financial year
- the 2022 triennial valuation was published in March 2023 and the updated 2022/23 actuarial report based upon the updated demographic information increased the liability by £6.9m which has been amended for within the financial statements,
- within our testing of additions, we identified £4.1m worth of additions which had been incorrectly classified as Vehicles, Plant and Equipment and should have been intangible assets, and
- within our testing of creditors we identified that £0.6m had been misclassified as a creditor and needs to be moved to debtors.

None of the above impact upon the resources available to the Council.

There is one matter which management are proposing not to adjust on the basis that it is an uncertainty and not material in respect of indexation indicating that property, plant & equipment may be understated by £3.1m. Those charged with governance are asked to confirm their agreement with management's decision through the Letter of Representation.

We have also:

- raised recommendations for management as a result of our audit work, as set out in Appendix B, and
- followed up recommendations from the prior year's audit as detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to resolution of the following outstanding matters:

- review of the working paper which supports the updated cash flow statement;
- review of responses to final queries in relation to the Movement in Reserves Statement (MiRS);
- review of responses to final queries in relation to the Group EFA;
- review of responses in relation to the Council IT General Control Environment;
- review of evidence provided to support the on-going use of the sample of assets with a zero useful economic life;
- review of a listing of debtors in relation to NNDR and Council Tax;
- final senior management reviews;
- receipt of management representation letter once it has been approved by the Audit Committee; and
- review of the final set of financial statements.

1. Headlines

Financial statements continued	
	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. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources. Our anticipated audit report opinion will be unmodified.
Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work, which is summarised on page 21, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
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 have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.
Significant matters	We identified that the property investment portfolio (PIP) had been misclassified as Investment Property and should have been classified as Other Land and Buildings. The Council has processed this adjustment as part of the 2021-22 financial statements and this then had a knock-on effect to the draft 2022-23 financial statements in terms of opening balances and comparatives. Following the issuing of our opinion on the 2021-22 financial statements management produced an updated set of 2022-23 financial statements. We revisited our risk assessment and scoping and were satisfied that our testing strategy and sample selections remained valid.

1. Headlines

National context – audit backlog

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

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

National context – level of borrowing

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

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Management response

Telford & Wrekin Council have made some capital investments in assets, namely NuPlace and the Property Investment Portfolio, which whilst funded from borrowing are likely to increase in value over the longer term, and generate a revenue return greater than the cost of the associated debt charges, which is used to support front line services. Importantly, these investment achieve Council objectives, such increasing high quality private rented housing and deliver environmental, social and economic benefits for the borough. The Council assesses each potential new investment through a proper due diligence and business case process to ensure that it is not exposed to an unacceptable level of risk. The Council will not borrow to invest primarily for financial return.

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- 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 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.

We have not had to alter our audit plan, as communicated to you on 26 July 2023.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unmodified audit opinion following the Audit Committee meeting on 30 April 2024, as detailed in the separate committee paper. These outstanding items are set out on page 3.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 26 July 2023.

We set out in this table our determination of materiality for Telford and Wrekin Council and group.

	Group Amount (£k)	Council Amount (£k)	Qualitative factors considered
Materiality for the financial statements	7,710	7,700	We determined that total expenditure in year was the most appropriate benchmark. At planning our risk assessment led us to set materiality at approximately 1.9% of prior period gross expenditure. On receipt of the outturn figures for 2021-22 we determined that gross expenditure was over £500m. Under our audit approach this increases the risk classification of the Council and requires us to cap materiality at 1.5% of gross expenditure. Having re-worked our figures the actual figure for materiality has not changed (due to the Council's expenditure increasing) but it is now benchmarked at 1.5% of the Council's gross expenditure.
Performance materiality	5,050	5,050	Based on the internal control environment at the Council we determined that 75% of headline materiality would be an appropriate benchmark.
Trivial matters	385	385	We decided that matters below 5% of materiality were trivial.
Materiality for senior officer's remuneration	27	27	We have set a lower materiality of £27k for the senior officer's remuneration as this is the value by which we feel it would impair the users view of the financial statements.

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 (Council and group) Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • 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. Our audit work has not identified any issues in respect of management override of controls.

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
Valuation of other land and buildings and investment property (Council and group) 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. This valuation process represents a significant estimate by management in the financial statements due to the size of the numbers involved (Council PP&E 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. 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. 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. **Changes Since Our Audit Plan was Issued** The CIPFA Code determines that only assets which are held solely for the purpose of capital appreciation should be classified as investment property. During our 2021/22 accounts review a technical query was raised around the treatment of investment property held by NuPlace in the Group accounts which we extended to all investment property assets. Management confirmed that the assets held by the Council in relation to the property investment portfolio (PIP) were held for regeneration and development purposes and therefore were not being held solely for the purpose of income or capital appreciation. The Council therefore reclassified these assets to Property, Plant & Equipment in its 2021/22 financial statements with subsequent amendments to the 2022/23 financial statements. In addition, the assets held by NuPlace whilst under FRS 102 (Section 16) being correctly classified as investment property in NuPlace's own financial statements, on consolidation under IFRS and the CIPFA Code the different definition of investment property applies (i.e. more than income and capital appreciation). Therefore, in the group accounts the NuPlace assets have also been reclassified to Property, Plant & Equipment. We are satisfied that the basis for valuation used by the Council for these assets remains valid across both accounting frameworks.	We have: - Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; - Evaluated the competence, capabilities and objectivity of the valuation expert; - Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; - Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; - Engaged our own valuer to assess the instructions to the Council's valuer, the Council valuer's report and the methodology and assumptions that underpin the valuation; - Tested revaluations made during the year to see if they had been input correctly into the Council's Balance Sheet; - 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 (see page 12) 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 £3.1m in relation to assets which were not revalued in the year. It should be noted this is an approximation for the purposes of identifying whether there is a risk of material misstatement as opposed to a detailed, precise valuation. Based on this, we concluded that the carrying value was not materially misstated. Further details of this are provided at Appendix D. We also identified some smaller errors within the valuations, these included; using the incorrect BCIS rate on two assets, floor areas in relation to one land asset being incorrect; and, one computational error. The net impact of these is below trivial, however, when extrapolated there is a potential overstatement of £525k. As this is below PM, management are proposing not to adjust for this. Our work in this area is complete.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Risk of fraud in revenue recognition and expenditure (Rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Borough of Telford and Wrekin Council mean that all forms of fraud are seen as unacceptable. Whilst not a presumed significant risk, we have had regard to Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure may well be greater than that of income. Having considered the risk of improper recognition of expenditure at Borough of Telford and Wrekin Council we are satisfied that this is not a significant risk for the same reasons set out above.	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: • There is little incentive to manipulate revenue and expenditure recognition; • Opportunities to manipulate revenue and expenditure recognition are very limited; and • The culture and ethical frameworks of local authorities, including Borough of Telford & Wrekin Council, mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for Telford & Wrekin Council. Additional revenue recognised via the group accounts is not material and therefore does not present a further risk of material misstatement. Notwithstanding that we have rebutted this as a significant risk as part of our standard audit procedures we have: <u>Accounting policies and systems</u> • evaluated the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code • updated our understanding of the Council's business processes associated with accounting for income <u>Fees, charges and other service income</u> • Agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. <u>Taxation and non-specific grant income</u> • Conducted substantive analytical procedures in respect of income for national non-domestic rates and council tax and tested reliefs granted • For other grants we will sample test items back to supporting information and subsequent receipt, considering accounting treatment where appropriate. We also designed tests to address the risk that income has been understated, by not being recognised in the current financial year. Our audit work as outlined above has not identified any matters that would indicate our rebuttal was incorrect. 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.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability (Council only) The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the inflation rates and life expectancy. 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: • 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; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • requested assurances from the auditor of Shropshire 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. The publication of 31 March 2022 LGPS triennial valuations, in March and April 2023, provided updated information to inform actuarial estimates. Therefore in June 2023, after the unaudited 2022/23 financial statements were published, management obtained a revised actuarial report based on the 31 March 2022 triennial valuation results and we have reviewed the methods and assumptions detailed within the report. The revised actuarial report showed the net pension liability was understated by £6,874k and the net defined benefit pension liability (for the group and single entity) was therefore £86,494k Management have adjusted the financial statements to show this revised net pension liability balance. We have not identified any further issues from our work on the pension liability.

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. The work carried out by NuPlace included; - Consideration of the completeness and accuracy of information provided to the management of NuPlace's valuations expert; - Consideration of the competence and capabilities of management's expert; - Testing of source data and inputs to valuation calculations; - Consideration of the possible impact of the Covid 19 pandemic on the valuations; - Consideration of movements on the valuations against comparator information; Grant Thornton also met with Dyke Yaxley to review their audit working papers and received audit documentation from the component auditor to evidence the procedures. 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. The work performed by the component auditor underpins our assessment of this area. 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 is fairly stated. The assets held by NuPlace were deemed to be investment property in their financial statements in line with accounting standards. However, for the group, when these assets are consolidated this is deemed to be an error as the Code has a stricter definition of what constitutes an investment property. These have therefore been reclassified in the 2022/23 group financial statements to other land and buildings.

2. Financial Statements – other matters

Issue	Commentary
Classification of investment property	The CIPFA Code determines that only assets which are held **solely** for the purpose of capital appreciation should be classified as investment property. During our accounts review a technical query was raised around the treatment of investment property held by NuPlace in the Group accounts which we extended to all investment property assets. Management have confirmed that the assets held by the Council in relation to the property investment portfolio (PIP) are held for regeneration and development purposes and therefore are not held solely for the purpose of income or capital appreciation. The Council have therefore reclassified these assets to Property, Plant & Equipment. In addition, the assets held by NuPlace whilst under FRS 102 (Section 16) being correctly classified as investment property in NuPlace's own financial statements, on consolidation under IFRS and the CIPFA Code the different definition of investment property as outlined applies (i.e. more than income and capital appreciation). Therefore, in the group accounts the NuPlace assets have also been reclassified to Property, Plant & Equipment.
Private Finance Initiative	Our work on PFI identified that the Council's model did not agree with the model we had recreated. The differences below are not individually material, however should be bought to members attention.

Disclosure	Council's Model	Grant Thornton Model	Difference
Future Service Charges	£41,368k	£41,133k	£235k
Future Lifecycle Costs	£12,706k	£12,716k	(£10k)
Future Interest Costs	£29,679k	£33,739k	(£4,060k)
Future Unitary Payments	£131,439k	£130,519k	£920k
PFI Liability	£47,685k	£42,931k	£4,754k

Whilst we do have these differences, we are of the opinion that the Council's PFI liability is fairly stated as these net out to a non-material amount.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations (PPE): Other Land and Buildings £632.2m (£555.5m)	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 in NuPlace which are valued based on their yield as cash generating assets or market value. The total year end valuation of land and buildings was £632.2m for the group (including investment properties within NuPlace), increasing from £555.5m in 2021/22. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2023 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 £3m. 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. 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). Overall, our audit work provided sufficient assurance over the processes and methodology adopted by management and their expert in arriving at this estimation. However, as detailed on page 13, we identified an issue with the classification of investment properties which should have been classified as Property, Plant & Equipment. This has resulted in a material adjustment to the financial statements and a prior period adjustment. We have gained assurance that the valuation methodologies used for investment properties would not lead to significant differences to valuations on a current value basis. We have considered the Council's assessment of the large (but not material) potential understatement in relation to assets not revalued of approximately £3.1m and are satisfied that this is reasonable and its estimation process is appropriate. We are reporting the unadjusted uncertainty in Appendix D.	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 - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £86.4m	The Council's net pension liability at 31 March 2023 is £86.4m (PY £375.3m). 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. The draft financial statements were prepared using, at the time, the latest full actuarial valuation, 2019. The latest triennial valuation for Shropshire Pension Fund has recently been published. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions. This is the reason for the significant change in the liability in the year.	We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council. We have used the work of PwC, as auditors' expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the Shropshire County Council Pension Fund valuation as it applies to Telford and Wrekin Council.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.7%-4.9%	● (G)
Pension increase rate	2.8%	2.7%	● (G)
Salary growth	4%	3.95%-4.2%	● (G)
Life expectancy – Males currently aged 45/65	22.2	22.4-24.3	● (G)
Life expectancy – Females currently aged 45/65	24.5	25.3-26.6	● (G)

- No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate.
- There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.
- We are content with the adequacy of the disclosure of the estimate in the financial statements.

Management have obtained an updates IAS19 report following the triennial valuation which showed liability had increased by £6.8m at 31 March 2023 compared to the figures used in the draft financial statements.

We have received assurances from the auditors of Shropshire County Pension Fund confirming that the underlying controls in relation to submission of data to the Actuary by the pension fund are robust and therefore additional confidence can be placed on the assumptions.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Single status provision - £12m	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. Based on national guidance at the time, the Council calculated an initial provision for £12m for Single Status (non-schools), approximately 4% of the Council's pay related expenditure at the time. In 2019/20 the Council opted to review the position. Noting that the work force had decreased by approximately 25% since the agreement came into force on 1 April 2007 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 in 2019/20.	We discussed this issue with the Council and challenged their rationale behind continued inclusion of the estimate as a provision in the accounts. Based on these discussions the Council is now of the view that the conditions no longer exist such that it meets the definition of a provision. The Council has therefore reclassified this as a reserve and reported it is a contingent liability.	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

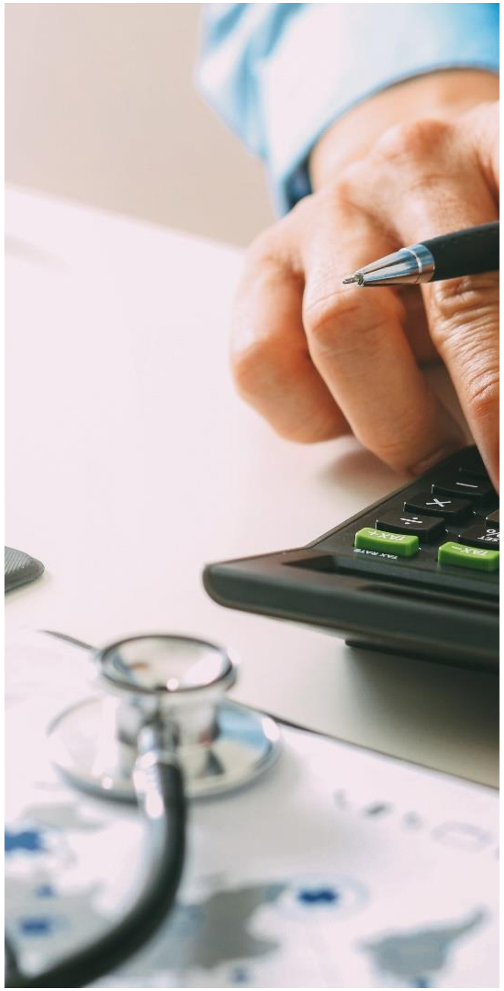
2. Financial Statements - other communication requirements

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 received from the Council, including specific representations in respect of the Group, the prior period adjustments within the financial statements and equal pay 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 have noted issues in respect of the classification of investment properties and capital grants which have been reported in thus AFR. Further information is provided in Appendix D.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided, there were some delays and further follow up required in respect of supporting evidence for property, plant and equipment valuations.

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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect .
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We currently 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. The Council does not exceed the specified group reporting threshold of £2 billion and as such detailed procedures are not required.
Certification of the closure of the audit	We intend to certify the audit closed following the issuance of the audit opinion at the Audit Committee on the 30 April 2024.



2. Financial Statements: other communication requirements

Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code 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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. Independence and ethics

A minor possible independence issue arose during the course of the delivery of the audit; a close member of the engagement manager's family was employed by the Council as a teacher from September 2022 onwards. This individual is not in a position to influence the Authority's financial reporting in any way (and in particular not in relation to the 2022/23 financial year). Following consultation with the Firm's internal ethics department, we have determined that, dependent on compliance with agreed safeguards, this does not present an impairment to the Firm's independence on this engagement. Key safeguards relate to ensuring that review of areas such as payroll testing and review of the Council's Teachers' Pension return are conducted by the Engagement Lead. For transparency, we have opted to disclose this, and the Firm's consideration, to members.

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

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 E

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the 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	2020/21 Fees £	2021/22 Fees £	2022/23 Fees £	Threats identified	Safeguards
Audit related					
Certification of Teachers Pension Return	10,500	7,500	10,000	Self-Interest (because this is a recurring fee)	The level of recurring fees taken on their own is not significant in comparison to the proposed audit fee for the audit of £146,932 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Claim	4,500	12,500	18,000	Self-review (because GT provides audit services)	Our team has no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statement to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to the audit of the financial statements and is performed after the audit of the financial statements has been completed.
				Familiarity	The scope of work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.

4. Independence considerations

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

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

We have considered whether the ethical outcomes required by the overarching principles and supporting ethical provisions of the FRC Ethical Standard have been met by both the relevant requirements and with reference to the perspective of an objective, reasonable and informed third party. This assessment has also considered the matters reported above individually and in aggregate.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

We have identified three recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	There is a significant number of assets with a zero useful economic life and a zero net book (NB) value. There is a risk that the gross book value of the assets disclosed within note 15 is misstated.	Management should: • conduct a review of assets with a nil net book value and zero useful economic life to determine whether the Council still owns the asset. Where the Council no longer owns or holds an asset it should be written out of the accounts and fixed asset register (disposed of), and • in line with IAS 16 the Council should perform an annual review of useful of economic lives, especially those with only short lives left, and consider whether the depreciation policy is too aggressive on assets where the NBV is approach nil but they are still in use. **Management response** Given the impact on the net book value would be nil, we will note this as a potential future requirement. Given the audit delay, this may not be implemented for the 23/24 Statement of Accounts.
Low	During our fees and charges testing we identified that the Council cannot exclude internal recharges from their listing which made the testing less efficient.	Management should consider how to split internal recharges from their day-to-day transactions. This will enable more efficient sampling in future years. **Management response** This issue has only arisen towards the end of the 2022/23 audit; the coding and treatment of internal recharges will be reviewed. Given the audit delay, this will not be implemented for the 23/24 financial year. Discussion will also take place with KPMG in relation to their requirements.
Medium	The Council are not able to run a list of all Council Tax and NNDR accounts which are either in debit or credit as at 31 March 2023.	We have tested the balance in an alternative way however, this has taken much longer than it should have if the reports were available. The Council should ensure the report is run on the 31 March each year. **Management response** These reports will be produced as at 31 March in future. Unfortunately they cannot be retrospectively run. Collection of Council Tax and NNDR is monitored monthly and included in the regular Financial Monitoring reports taken to Cabinet.

Controls

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

C. Follow up of prior year recommendations

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

Progress	Issue and risk previously communicated	Update on actions taken to address the issue
In Progress	The PFI accounting model is not updated for future years to reflect the experience from actual Unitary charges paid in each year. 2021/22 shows a non-material variance of £556k [Relates to RPIX (RPI minus mortgage interest payments] being greater than the 2.5% assumed in the model). The PFI contract has 13 years to run and if the variance were to remain constant over the remaining life then future Unitary charge payments will be greater than assumed service costs in the model. Whilst we recognise this is a disclosure note estimate we recommend that management should update the PFI accounting model to reflect the impact of actuals on potential future payments and update the future payment disclosure table at Note 28 accordingly.	**Management Response** Given inflationary pressures are starting to reduce and inflation is forecast to drop back to around 2.5% the impact is not anticipated to be material. We therefore do not propose to update the model in 2022/23 and will further discuss potential updates to the model in future years based on experience in that year and inflation forecasts.
In Progress	A benchmarking exercise carried out during 2021 using available sector financial information identified that the Council's Minimum Revenue Provision was lower than expectations based on review of peer organisations. This is due to the Council's policy of not providing against borrowing supporting investment property held in the group by NuPlace and a reduced amount for assets within the Property Investment Portfolio due to the significant capital appreciation experienced on these assets. Audit procedures identified that the impact was not material in year but may lead to a cumulative issue over time.	**Auditor Comment** As communicated in previous AFRs management were aware of additional upcoming legislation and that the updated guidance was expected to address the position currently at the Council where it does not fully charge MRP on capital loans. We estimate that the current policy has resulted in a potential £1.4m cumulative understatement of MRP as at 31/3/2023. The Council is not witnessing defaults on these loans and is of the view that its current policy is prudent. The updated statutory guidance has now been published. Full amendments to the regulations come into force from 1 April 2025 with some elements coming in from 7 May 2024 for new capital loans. We are satisfied this should regularise the Council's position but the Council should formally review its position against the updated guidance. **Management Response** The Council will comply with the MRP Guidance and amended regulations which come into force on 7 May 2024 and 1 April 2025 and the Medium Term Financial Strategy will be updated as required.

D. Audit Adjustments

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

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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Changes in 2022/23 as a Direct Result of Changes to the 2021/22 Accounts				
Reclassification of Investment Property As a result of the investment property reclassification, there have been a number of changes to the balance sheet and the CIES due to the classification of the revaluation movements. Dr Property, Plant and Equipment Cr Investment Property	TBC	139,393 (139,393)	TBC	-
Single Status The Council have reclassified their provision for single status as they are of the view that it no longer meets the definition of a provision. Dr Provisions Cr General Fund Earmarked Reserves	(12,521)	12,521	(12,521)	12,521
Adjustments Related to 2022/23 audit				
Additions misclassification Within our testing of additions, we identified £4.1m worth of additions which had been incorrectly classified as Vehicles, Plant and Equipment and should have been intangible assets. Dr Intangible assets Cr Vehicles, Plant and Equipment	-	4,124 (4,124)	-	-

D. Audit Adjustments (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Capital grants and contributions misclassification Within our testing we identified that capital grants and contribution income was presented above the line. Per the Code, this should be within Taxation and Non-specific grant income. Dr Net Cost of Services Cr Taxation and Non-specific grant income	33,414 (33,414)	-	-	-
Capital expenditure misclassified as REFCUS Within our testing we identified £924k of expenditure relating to NuPlace assets which are disclosed within REFCUS, this is incorrect and should be within additions. This is offset by disposals of £267k and an adjustment for Queenswood Academy of £785k Dr REFCUS Cr Property, Plant and Equipment	128	(128)	128	-
Debtor reported as a creditor Within our review of creditors we identified that £0.62m has been included within creditors but should have been a debtor. Dr Creditors Cr Expenditure To reverse the original entry Dr Debtors Cr Income To reflect the balance as a debtor.	-	620 (620)	-	-
Defined Benefit Pension Scheme – Net Liability As detailed on page 9, the net pension liability is understated due to the triennial valuation, the known impact of this is £6,874k. Dr Other Comprehensive Income Cr Net pension liability	6,874	(6,874)	6,874	-
Overall impact	(5,519)	5,519	(5,519)	12,521

D. Audit Adjustments (continued)

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/Omission	Auditor recommendations	Adjusted?
Through our review of the accounts there were several typographical and consistency errors identified such as page references not being correct, amounts in primary statements not matching with the notes and grammatical errors.	Management should update their financial statements to correct these points. **Management response** We have amended the financial statements for this finding.	✓
The critical judgements and estimates within note 3, for a majority, it is unclear from the current disclosure if these items reflect judgements made, or that they have a material effect.	Management should add further commentary to state why the impact could be material and what the judgement is. Management should also consider removing those which are not material. **Management response** Critical judgements and estimates are consistent with the 2021/22 Audited Statement of Accounts. Consideration will be made for future years.	X
Within note 4 the disclosure in relation to the single status provision should be enhanced to quantify the potential impact if actual results differ from assumptions.	The disclosure should be enhanced to provide the user of the accounts with a more detailed understanding of the impact, should actual results differ from assumptions. **Management response** We have amended the financial statements for this finding.	✓
Note 15 Property, Plant and Equipment there is no table showing the assets revalued in year and the phasing of the revaluations.	The disclosure note should include a table showing the value of assets revalued each year in accordance with the Council's rolling revaluation programme. **Management response** We have amended the financial statements for this finding.	✓
Group MIRS presentation The total comprehensive income and expenditure line should show an adjusted single entity and subsidiary value which removes the intra-group transactions. There should be an additional line to show the 'adjustments between the group accounts and authority accounts' which would then show how the values reconcile to the CIES. The intra-group transactions are not material.	Management should consider updating the Group MIRS to ensure compliance with the Code. **Management response** As the value is not material no amendment is proposed in 2022/23 but will review for future years.	X

D. Audit Adjustments (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Within the related parties note transactions with all entities where members have disclosed that they hold an interest have been disclosed.	These bodies are only related parties should the member control the entity. Where the entity does meet the definition of a related party then the amount of outstanding balances should be disclosed. However, the Council have made additional disclosures which also includes members who may not have control as defined by the ISAs. **Management response** We have reviewed the Related Party Disclosures and are happy that they are relevant and useful to the reader providing more information than required by the CIPFA Code in the interests of transparency.	X
Included within short term creditors are amounts relating to Section 106 grants received in advance of c£26m.	These should properly be shown on their own line within the balance sheet and included within the disclosure table at the foot of note 41, in accordance with the CIPFA Code. **Management response** We are happy with the accounting treatment of S106 grants which are included in creditors. If they are not spent in accordance with the agreement then monies will be returned to the developer. This is consist with previous years. Consideration will be given to showing these separately in Note 27 (Creditors).	X
It has been identified that there are inconsistencies between the revaluation movements disclosed within PPE notes and the reserves notes.	The Council should correct the differences between the PP&E notes and the reserves notes. **Management response** We have amended the financial statements for this finding.	✓
The gross income and expenditure reported in the CIES did not match that of Note 10	The Council should identify where the error lies and correct the financial statements. **Management response** We have amended the financial statements for this finding.	✓
Within note 21 - Financial Instruments, the disclosed amount for the 'Non-Financial Debtor' is £27.206 million. We identified an error of £2.669 million. This error pertains to a prepayment and has been mistakenly included twice in the non-financial debtor balance and excluded twice from financial debtor.	Management should correct the financial instruments note. This does not affect the debtors balances on the balance sheet. **Management response** We have amended the financial statements for this finding.	✓

D. Audit Adjustments (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
It was identified that the disclosures within note 28 – private finance initiatives, did not match the Council's PFI model.	The Council should update the note to match their PFI model. Management response We have amended the financial statements for this finding.	✓
Within the cash flow statement there are reductions of £2,606k for movements in capital debtors. As these balances do not relate to the disposal proceeds from sales of PPE, these should not be adjusted.	The Council should update the note and cash flow statement Management response We have amended the financial statements for this finding.	✓
During our review of the MIRS we identified an inconsistency between entries in the capital adjustment account and the capital financing requirement disclosure note. The amount disclosed in the draft accounts is (£1,899k) but should in fact be just (£39k).	The Council should ensure the MIRS is consistent with the rest of the financial statements Management response We have amended the financial statements for this finding.	✓
A balancing manual adjustment of £391k was used to make the CIES and Note 10 match, the council has treated note 10 more "as a memo" previously.	The Council should identify where the error lies and correct the financial statements. Management response We have amended the financial statements for this finding.	✓
Within note 21 - Financial Instruments, there are some misclassifications between financial and non-financial assets and financial liabilities and non-financial liabilities.	Management should correct the financial instruments note. Management response We have amended the financial statements for this finding.	✓
The Group Expenditure and Funding analysis is not consistent with the single entity Expenditure and Funding analysis	Management should correct the Group EFA to bring it in line with expectations Management response We have amended the financial statements for this finding.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 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	Impact on general fund £'000	Reason for not adjusting
Assets not revalued We have considered the movement of assets not revalued in year. This is a potential understatement of £3,087k	-	3,087	-	-	Not Material
Errors in the valuation of Property, Plant and Equipment We have identified errors in the valuation of the other land and buildings. When these are extrapolated, the potential misstatement is an overstatement of £525k.	525	(525)	-	-	Estimated and Not Material
Under provision of MRP leads to an overstatement of General Fund balances and understatement of the Capital Adjustment Account		DR General Fund 1,400 CR Capital Adjustment Account (1,400)	-	-	Not material and proposed statutory guidance states that amendments will not be expected to apply retrospectively. New regulations come into force on 7 May 2024. Regulation 27(4) allows a local authority to exclude capital loans that are financed by debt from the requirement to make MRP, provided the loan is not a commercial loan. From April 2025, for all new and existing capital loans other than commercial capital loans the amended 2003 Regulations therefore provide local authorities a policy choice as to whether to charge MRP with respect to any debt used to finance a capital loan.
Overall impact	£525	£2,562	£-	£-	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

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 £4.3m.		DR PPE 4,347 CR Revaluation Reserve (4,347)	0	Not material – indexation is indicative only and does not constitute a formal revaluation. This has been updated for 31 March 2023 and therefore does not carry forward. This exercise has been repeated at 31 March 2023 and the figure updated.
Under provision of MRP leads to an overstatement of General Fund balances and understatement of the Capital Adjustment Account		DR General Fund 600 CR Capital Adjustment Account (600)	0	Not material and proposed statutory guidance states that amendments will not be expected to apply retrospectively. New regulations come into force on 7 May 2024. Regulation 27(4) allows a local authority to exclude capital loans that are financed by debt from the requirement to make MRP, provided the loan is not a commercial loan. From April 2025, for all new and existing capital loans other than commercial capital loans the amended 2003 Regulations therefore provide local authorities a policy choice as to whether to charge MRP with respect to any debt used to finance a capital loan.
Overall impact	0	0	0	

E. Fees and non-audit services

	Estimated Fee 2021/22	Proposed fee 2022/23
Borough of Telford and Wrekin Council Audit	£155,432	TBC
Estimated non-audit service fees	£20,000	£28,000
Total audit fees (excluding VAT)	£175,432	£TBC

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

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

E. Fees and non-audit services

Scale fee published by PSAA for 2022/23	£103,932
Impact of ISA540	£6,000
Enhancements to journals testing	£3,000
Infrastructure	£2,500
Group audit (local risk factor)	£1,500
Appointment of auditor's expert in respect of PP&E valuations	£5,260
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund - reliefs testing	£750
Increased audit requirements of revised ISAs 315	£5,000
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Total proposed audit fees 2022/23 (excluding VAT)	TBC

All variations to the scale fee will need to be approved by PSAA

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

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

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

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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