

Walsall Metropolitan Borough Council

Audit Results Report for the year
ending 31 March 2017

September 2017

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies." It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2016/17 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Walsall Metropolitan Borough Council for the year ended 2016/17. Subject to satisfactory completion of the outstanding items included in Appendix C we will issue an audit opinion in the form which appears in Appendix F.</p> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have not yet performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We expect to delay the issue the audit certificate until the work on the Whole of Government Accounts submission is complete, although we are working with the Council to avoid this scenario.</p>
Objections	<p>We have not received any objections to the 2016/17 accounts from members of the public.</p>
Audit differences	<p>There is one audit difference of £12.9million impacting the Council's overall financial position. However, as this relates to an adjustment in the carrying value of Property, Plant and Equipment, there is no impact on the Council's useable reserves for this technical accounting adjustment.</p> <p>Further details are set out at Section 3.</p>
Scope and materiality	<p>In our audit plan dated February 2017, we communicated that our audit procedures would be performed using a materiality of £14.6million. The basis of our assessment is 2% of gross expenditure (including other relevant expenditure below the cost of services line in the CIES), this basis of calculating materiality is consistent with prior years.</p> <p>We have reassessed this based on the actual results for the financial year and there has been no change to the materiality level we have applied.</p> <p>The threshold for reporting audit differences which impact the financial statements has also not changed, remaining as £0.73million.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:</p>

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- ▶ External audit fees being numerically sensitive: we set a materiality of £1k, being the rounding number in the accounts.
 - ▶ Member Allowances a figure of £36,500 was judged appropriate.
 - ▶ Officers' remuneration is numerically sensitive and we set materiality at £1k, being the rounding number in the accounts.
 - ▶ Related party transactions. For any errors identified related parties we have considered the concept of the materiality of transactions and balances as would be relevant to the related individual or organisation.

We carried out our work in accordance with our Audit Plan.

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:

- ▶ Risk of fraud in revenue recognition.
- ▶ Risk of management override.
- ▶ Property, Plant and Equipment Valuation.

During the course of the audit, we revisited our risk assessment based on an initial review of the Local Government Pension Scheme liability, and judged it appropriate to escalate the risk from 'other' to 'Significant audit risk'.

The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.

Other audit risks

We identified other key areas of the audit that were classified as significant risks but are still important when considering the risks of material misstatement to the financial statements and disclosures

- ▶ Valuation of Birmingham Airport Shareholding.

In updating our overall audit procedures, and for consistency with our other local authority clients, we judged it appropriate to include an additional risk for reporting purposes: Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement.

The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.

Other reporting issues

We have no other matters we wish to report.

Control observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Hassan Rohimun

Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

2.1 The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

2.2 Purpose of our work

Our audit was designed to:

- ▶ Express an opinion on the 2016/17 financial statements and the consistency of other information published with them;
- ▶ Report on an exception basis on the Annual Governance Statement;
- ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- ▶ Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements

3.1 Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of fraud in revenue recognition</p> <p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>Having considered the factors for revenue and expenditure recognition, we believe the risk is focused on the year-end balance sheet and in particular the completeness and valuation of creditors and the existence and valuation of debtors. The risk lies mainly in those debtors and creditors (accruals) where higher levels of estimation and management intervention are required to compile the financial statements. We also believe the risk is linked to the existence of capital expenditure arising from the potential to incorrectly capitalise revenue expenditure.</p> <ul style="list-style-type: none"> ▶ Reviewed and tested expenditure recognition policies. ▶ Reviewed and discussed with management any material accounting estimates on expenditure recognition for evidence of bias. ▶ Tested the valuation of any provisions recorded in the financial statements and performed appropriate tests to consider whether all material provisions have been recognised. 	<p>We considered management estimates in the financial statements, specifically, year-end expenditure accruals and year-end provisions. We noted the following:</p> <ul style="list-style-type: none"> ▶ There have been no changes in expenditure recognition policies nor any change to the basis of calculating material accounting estimates. ▶ Debtors: We have tested year end accounts receivable and are satisfied that there are no indicators of management bias. ▶ Accruals and provisions: We have tested year end creditors, accruals and provisions and are satisfied that there are no indicators of management bias. ▶ Unrecorded liabilities: We tested a sample of cash payments and payables after the year end and did not identify any material amounts of expenditure omitted from the 2016/17 financial statements. ▶ Journals: We used data analytics to select a sample of journal entries based on specific risk criteria. We agreed these journal entries back to

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
	<ul style="list-style-type: none"> ▶ Developed a testing strategy to test material debtors and creditors. ▶ Developed and followed a testing strategy to test whether the Council has inappropriately capitalised revenue expenditure 	<p>supporting documentation and did not identify any indicators of management override of control or indicators of fraud in revenue and expenditure recognition.</p> <ul style="list-style-type: none"> ▶ Capital expenditure: We tested a sample of capital additions and are satisfied there is no evidence of material misstatement or inappropriate capitalisation of revenue expenditure. <p>The valuation of Property, Plant & Equipment and the valuation of the LGPS are considered separately as set out below.</p> <p>Our testing has not identified any material misstatements with respect to revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any material issues or unusual transactions which indicated that there had been any significant misreporting of the Council's financial position.</p>
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. We determined that the risk of management override manifests itself through:</p> <ul style="list-style-type: none"> ▶ manipulation of accounting estimates 	<ul style="list-style-type: none"> ▶ We confirmed there had been no changes in accounting policy in 2016/17. ▶ We reviewed accounting estimates for evidence of management bias as identified in the response to revenue recognition. ▶ We tested the completeness and existence of provisions. ▶ We evaluated the business rationale for any significant unusual transactions. No such transactions were identified. ▶ We reviewed the accounting adjustments processed and disclosed 	<p>We have no matters to report in relation to management override that have not been considered as part of another area of audit focus.</p> <p>We have not identified any evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>(with the estimates most likely to be subject to management override of controls being non-routine income and expenditure accruals and provisions);</p> <ul style="list-style-type: none"> ▶ specific adjustments to the General Fund via the Movement in Reserves Statement; ▶ changes in accounting policy, which would impact on accounting estimates identified above; and ▶ in the incorrect capitalization of revenue expenditure. 	<p>in the Movement in Reserves Statement and supporting notes.</p> <ul style="list-style-type: none"> ▶ We noted the Council's Minimum Revenue Provision was lower than the previous year (£3.8million), but confirmed that the calculation was consistent with the Council's strategy and policy. ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; ▶ We tested a sample of journal entries across the year based on appropriate risk based criteria to identify potential manipulation of revenue and expenditure. 	
<p>Property, Plant and Equipment Valuation</p> <p>Property, Plant and Equipment accounts for a significant proportion of the Council's (£465million at 31 March 2016) total assets. The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by the Council's own specialist valuer and must follow the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. This process incorporates significant judgements.</p>	<p>We:</p> <ul style="list-style-type: none"> ▶ Evaluated the competence, capabilities and objectivity of management's specialist ▶ Reviewed any terms of engagement or instructions issued to the valuer to ensure these are consistent with accounting standards; ▶ Engaged our valuation specialists to support our testing strategy and help evaluate the work of the Council's valuer. ▶ Performed appropriate tests over the completeness and appropriateness of information provided to the valuer. ▶ Reviewed the classification of assets and ensure the correct valuation methodology has been applied. 	<p>We assessed the greatest risk for material misstatement to lie within Operational Land and Buildings (categories defined in Note 22 to the financial statements). Assets in this category are required to be held at fair value and therefore are dependent on specialist advice from the Council's internal valuer. Other categories of material assets are held at or depreciated historic cost historic cost (eg Infrastructure Assets). We confirmed that the Council had appointed an appropriately qualified valuer and, for a sample of assets, utilised our EY valuation team to review their valuation methodology.</p>

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
	<ul style="list-style-type: none"> Ensured the valuer's conclusions have been appropriately recorded in the accounts. 	<p>Based on the scope of valuation work, from a valuation perspective:</p> <ul style="list-style-type: none"> The methodologies used in developing the estimate were reasonable given the characteristics of the assets being measured. The significant assumptions used in developing the estimate were within a reasonable range and supported by the observable market data, given the facts and circumstances present as of the Valuation Date. Management's concluded value for the assets as of the Valuation Date were consistent with the inherent estimation uncertainty in valuations. <p>In addition to the above, we:</p> <ul style="list-style-type: none"> Performed appropriate tests over the completeness and appropriateness of information provided to the valuer; Ensured the valuer's conclusions were appropriately recorded in the accounts. <p>In performing our work, we identified that the Council made an input error in the calculating the value of two properties. We extended our testing to ascertain whether this was an isolated error or not and no further significant differences were identified. Based on the results of our work, a £12.9million adjustment to the carrying value of Property, Plant and Equipment is required. This adjustment does not impact on the general fund nor on the usability of the assets. We have no further matters to report regarding the</p>

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
		valuation methods adopted and are satisfied that the valuation of Property, Plant and Equipment in the financial statements as at 31 March 2017 is free from material misstatement.
<p>LGPS Liability</p> <p>We have escalated this from 'other' audit risk to a 'significant' risk owing to concerns reported by EY actuarial experts on the key assumptions used by the Pension Fund actuary.</p> <p>The Council is a member of the Local Government Pension Scheme (LGPS), administered locally by Wolverhampton City Council. The net pension liability was £481million as at 31 March 2016 – a £47million reduction from 31 March 2015.</p> <p>The estimation of the defined benefit obligations is sensitive to a range of assumptions, such as mortality, the rate of inflation, salary increases, pension changes and discount rates. The extent of judgement required, and resulting significant impact this has on the value in the balance sheet, means it is an area for additional audit focus.</p>	<p>We:</p> <ul style="list-style-type: none"> ▶ Engaged EY actuarial experts to assist our review of the key actuarial assumptions impacting the pension fund liability. ▶ Performed appropriate tests to obtain assurance over the information provided to the actuary. ▶ Wrote to the Pension Fund auditor to ascertain whether there are material concerns we need to be aware of for our audit. ▶ Ensured accounting entries and disclosures are consistent with the actuaries report. 	<p>The local government pension scheme liability was estimated by Barnett Waddingham LLP (BW), and their estimate was based on the latest full valuation of the scheme as at 31 March 2016</p> <p>We engaged EY actuarial experts to assist our review of the key actuarial assumptions, this highlighted that the discount and inflation rates used by BW fell outside of a range which they considered acceptable. BW provided additional explanation of their assumptions which our experts reviewed and noted:</p> <ol style="list-style-type: none"> 1. Our experts are comfortable that rates are within acceptable ranges for 15 years, but not where the duration is 20 years or more. 2. Discount rates at the 20 year duration are optimistic, whereas inflation rates at the same duration are prudent. Therefore inflation may offset the discount rate. <p>Given the potential for offset we performed additional tests to be assured the pension liability (£1.4billion) was not materially misstated. Based on the work undertaken we are satisfied there is not a material difference. However, as the methodologies used to derive the discount rate and RPI inflation assumptions do not adequately take into account the specific duration</p>

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
		<p>of the scheme's liabilities this could in future years, lead to unacceptable assumptions. Management should perform appropriate tests to obtain assurance over the information provided to the actuary.</p> <p>In April, we wrote to the Pension Fund auditor to ascertain if there are material concerns we need to be aware of for our audit. In September we received a full written response to our letter from June 2017, who reported that there were no significant matters for our attention.</p> <p>We have reviewed the disclosures in the financial statements and agreed entries to the actuarial report. There were no issues arising.</p>

We also identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p>Valuation of Birmingham Airport Shareholding</p> <p>The Council owns 4.88% of Birmingham Airport Holdings (BAHL) 320 million ordinary shares, valued at £19 million at 31 March 2016.</p> <p>The fair value calculation involves a specialist model that contains management judgement and estimates that have a direct impact on the value recorded in the financial statements. As a result it is an area that requires additional audit focus to ensure the balance sheet is not materially misstated.</p>	<p>We were supported by our valuation team and:</p> <ul style="list-style-type: none"> ► Understood the scope of work performed by the Specialist. ► Commented on valuation methodology. ► Identified, verified and tested significant assumptions. <p>The Council's Specialist adopted the Market Approach based on comparable traded firms to estimate the Fair Value (FV) of BAHL's equity as at the Valuation Date. The Market Approach is a commonly used method for estimating the FV of an equity investment based on the market values of comparable companies. We</p>	<p>Based on the scope of work, from a valuation perspective, the Specialist's methodologies used in developing the estimate were reasonable, given the characteristics of the asset being measured. Furthermore, considered in the aggregate from a valuation perspective, the Specialist's significant assumptions used in developing the estimate of £23.6million were within a reasonable range of our tolerable error, given the facts and circumstances as at the Valuation Date.</p> <p>Overall, we are satisfied that the airport valuation in the financial statements is free from material misstatement.</p>

Other Risks	Audit procedures performed	Assurance gained and issues arising
	<p>note that the Market Approach is appropriate for an established business with an identifiable stream of continuing earnings that is considered maintainable. Consequently, we deem it appropriate for the Specialist to perform a Market Approach based on comparable traded firms to estimate the FV of BAHF as at the Valuation Date.</p> <p>In our corroborative calculations, we additionally performed a Market Approach based on relevant transactions involving airport management firms to provide additional support. Specifically, we identified four transactions from 2015 until the Valuation Date and incorporated these into our analysis.</p> <p>We performed corroborative calculations to test the reasonableness of significant assumptions used by the Specialist.</p>	
<p>Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement</p> <p>Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> ▶ A review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code. ▶ A review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported. ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers. 	<p>The Council has applied the Code changes over the presentation of the financial statements.</p> <p>We reviewed the Council's disclosures and reconciled the figures presented in the new format to the prior year financial statements. We recommended, and the Council accepted, enhancements to the disclosures to further explain the presentational changes.</p>

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p>of the presentation of local authority financial statements.</p> <p>The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.</p> <p>This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.</p>		

3.2 Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process, including the following:

- ▶ Qualitative aspects of your accounting practices; estimates and disclosures;
- ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- ▶ Any significant difficulties encountered during the audit; and
- ▶ Other audit matters of governance interest

We have no matters we wish to report.

3.3 Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We have reviewed the Annual Governance Statement and can confirm that it is not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

3.4 Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix G.

3.5 Use of specialists

During the course of our audit, we considered the work of specialist input as set out in the following table:

Management specialists	<ul style="list-style-type: none"> ▶ Valuation of Property, Plant and Equipment ▶ Valuation of the Airport Investments ▶ Actuarial specialists for the local government pension scheme ▶ Valuation specialists for assessing the fair value of investments and borrowings
EY specialists	<ul style="list-style-type: none"> ▶ Valuation of Property, Plant and Equipment ▶ Valuation of the Airport Investments ▶ Actuarial specialists for the local government pension scheme

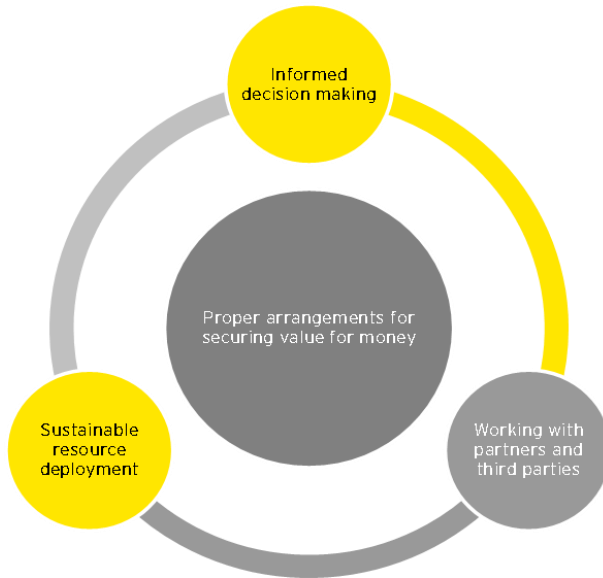
3.6 Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently conducting our work in this area and will report any matters that arise to the Audit Committee.

4. Value for money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.



Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

In considering your proper arrangements, we draw on the requirements of the guidance issued by the National Audit Office and CIPFA to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

4.1 Overall conclusion

We have performed the procedures outlined in our audit plan and we did not identify any significant weaknesses in the Council's arrangements.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

4.2 Significant risks

4.2.1 Significant Risk: Sustainable resource deployment

VFM Criteria: Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions

4.2.1.1 Background to the risk

The 2016/17 budget, identified the need to deliver in year revenue savings of £25.4million and a further £84.8million over the next four years to achieve a balanced budget by 2019/20.

At 31 December 2016, the Council forecast a net revenue overspend of £2.5million, after the planned use of reserves and assuming the successful delivery of corrective action plans. Within this context reference was made to the significant cost pressures in providing Adult Social Care, despite additional investment of £13million in the service, Adult Social Care was forecasting a £7.6 million overspend in 2016/17 due to increased demand pressures.

4.2.1.2 Our planned audit approach

As set out in our Audit Plan, we planned to:

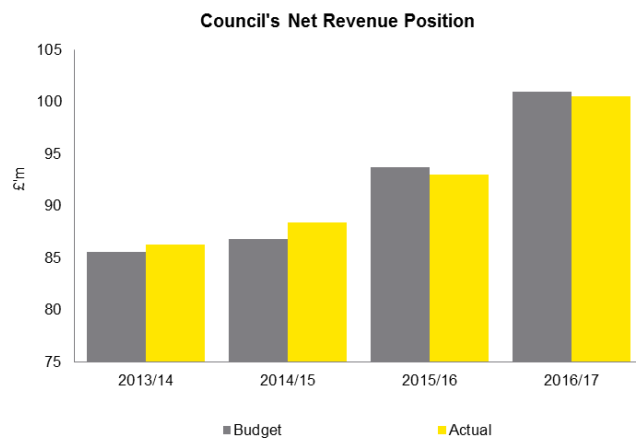
- ▶ monitor the financial position for the remainder of 2016/17, including delivery against revenue and capital budgets;

- ▶ evaluate the impact of any audit findings on the reported financial position, including the risk of management override and revenue and expenditure recognition;
- ▶ use any work by internal audit to inform our risk assessment on the adequacy of the Council's arrangements;
- ▶ review the overall controls in place to manage expenditure in Adult Social Care;
- ▶ meet with management to discuss the arrangements for financial planning and financial control for Adult Social Care; and
- ▶ review the Council's approach to identify savings and bridge the spending gap for 2017/18 to 2019/20.

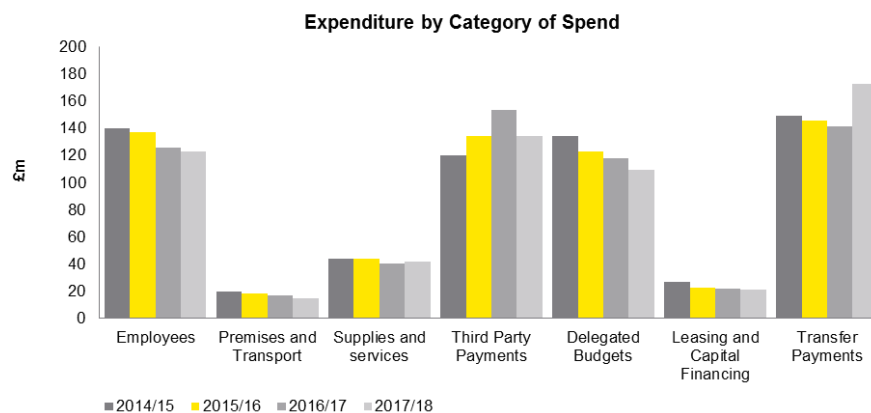
4.2.1.3 Summary of work performed and key findings

We have performed the work as set out in our Audit Plan and are satisfied, based on the evidence received, that the significant risk has been addressed. In forming our view we note that:

- ▶ The Council is able to demonstrate continued financial management through budgetary and spending control that has resulted in a less than 1% outturn variance for 2016/17.



- ▶ There is a continuing downward trend on employee expenditure, as the Council seeks to manage the workforce, together with other categories. However there have been increases in third party and transfer payments which Members will need to continue to keep under review.

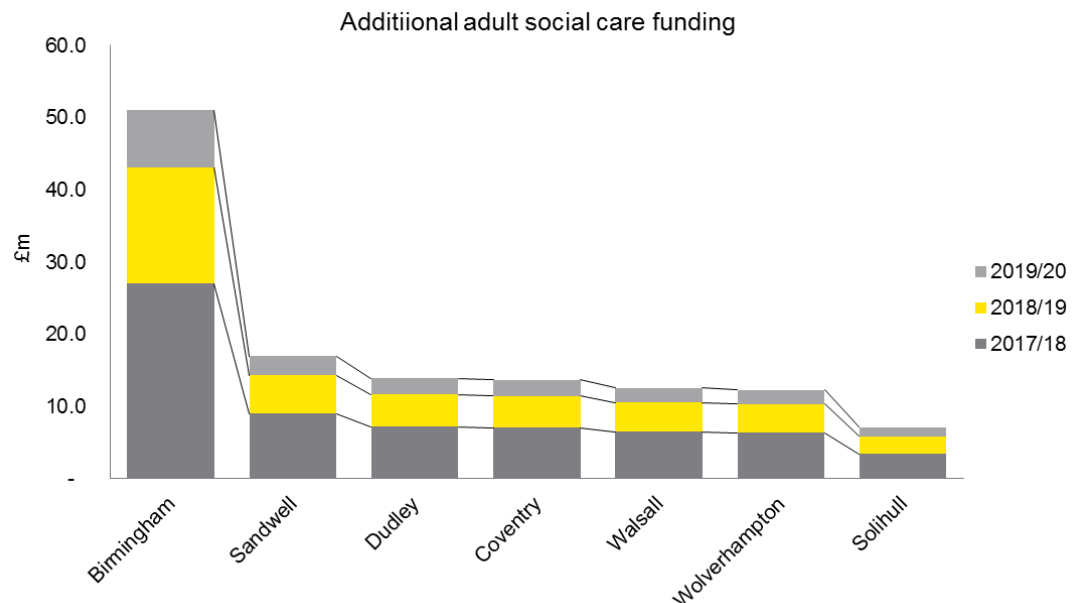


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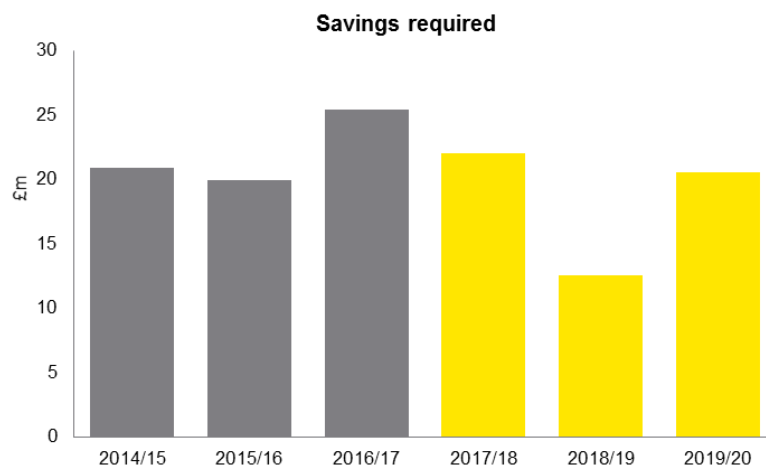
- ▶ *Transfer payments include expenditure such as special education needs, rent allowances and social services direct payments – for example payments for which no goods or services are received in return by the local authority.*
- ▶ *Delegated budgets include budgets for schools, community associations and allotments.*

► *Third Party Payments include payments to external contractors.*

- Adult Social Care continues to face challenges, and it is a service where the Council has consistently overspent against budget and established needed to implement action plans to address the overspend:
 - As reported to Audit Committee in January 2017, during the year the Council has implemented a range of controls and practices to improve financial control, such as: monthly corporate reporting to Corporate Management Team highlight the spend, budget, forecasting, risks and progress against efficiencies; introduction of a Resource Allocation Panel that has every case presented to it; and benchmarking the cost of care.
 - As at March 2017, it is too early to assess whether these actions have become embedded in the Council or led to sustained levels of improvement. However, the Council's overall budget performance as noted above does demonstrate that the Council has taken appropriate action in the year and that this is indicative of adequate arrangements.
 - The Council has committed to improve its internal systems to support continuing improvement in the delivery of social care. Going forwards the Council will utilise 'Mosaic' instead of inputting data into multiple systems, with the aim of improving management information and caseload management. Mosaic on its own will not deliver the business change needed to operate differently, and the Council will need to continue to drive change management in social care.
- At the Spring Budget 2017, the Government announced an additional £2billion over the next 3 years for adult social care. Walsall Council's allocation is £12.6million, with £6.5million in 2017/18; £4.1million in 2018/19 and £2million in 2019/20:



- The future financial position remains challenging, and the Council's budget and the Medium Term Financial Strategy dependent on £22million savings in 2017/18 and £33million savings between 2018/19 and 2019/20:



Key observations:

- ▶ The Council's financial standing is supported by a £13.9million general fund reserve and £129.6million in earmarked reserves as at 31 March 2017.
- ▶ The Council's budget for 2017/18 incorporates £22.7million in cost pressures and investment programmes, of which £9.8million relates to social care and £6.6million to children's services.
- ▶ These increases are offset by policy based savings of £12.6million and a further £9.4million in operations savings of.
- ▶ The largest individual plans are to save £1.7million by improving demand management in adult social care; £1million through reviewing contracts; and £1.4million from a review of employee terms and conditions (approved in 2016/17).
- ▶ Through Business Rate Retention, there remains uncertainty in respect of the amount of income the Council receive in Government funding from 2017/18 onwards and the Council will be involved in a 100% business rates retention pilot, which will begin from 1 April 2017.
- ▶ Delivery of these plans will be challenging for the Council. The Audit Committee should consider how it will seek assurance over the implementation and project management of major programmes.

4.2.1.4 Overall conclusion against this significant risk

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, there is no indication that the Council's arrangements are inadequate.

4.2.2 Significant Risk: Working with third parties effectively to deliver strategic priorities

VFM Criteria: Working with third parties effectively to deliver strategic priorities

4.2.2.1 Background to the risk

The health economy across Walsall is increasingly challenged, with the Manor Hospital rated as 'inadequate' by the Care Quality Commission and NHS Walsall CCG under Directions from NHS England.

The Better Care Fund (BCF) 2016/17 Plan underwent a review process by NHS England, who rated the Plan as "assured with support". This puts the performance of the Plan under a higher level of scrutiny by NHS England.

The 2016/17 outturn is a net under-spend of £0.1million against the approved budget of £24million. The Plan contains a risk share agreement and the net under-spend is made up

from a £0.3million under-spend for Walsall Clinical Commissioning Group and £0.2million overspend for Walsall Metropolitan Borough Council.

Whilst financial performance of the BCF is close to budget, partners have yet to deliver on key objectives such as reductions in non-elective admissions. Recently local partners have outlined in the “Black Country Sustainability and Transformation Plan (STP)” how they will work together to improve health and social care service and deliver a financially resilient system for local people. The challenges set in the STP are significant and will require joint working and integrated solutions to deliver planned outcomes.

For the purposes of our 2016/17 audit, there is a significant risk to the VFM conclusion that the Council does not have effective arrangements in place to work effectively with NHS Walsall CCG to deliver strategic priorities through the BCF.

4.2.2.2 Our planned audit approach

As set out in our Audit Plan, we planned to:

- ▶ meet with management to discuss whether arrangements over the Better Care Fund have strengthened and how non-elective performance has been incorporated into decision making;
- ▶ use any work by internal audit to inform our risk assessment on the adequacy of the Council's arrangements;
- ▶ understand the Council's approach to incorporate learning and the development of a BCF for 2017/18; and
- ▶ understand how the Council is working with local partners to develop the Black Country STP.

4.2.2.3 Summary of work performed and key findings

We have performed the work as set out in our Audit Plan and are satisfied, based on the evidence received, that the significant risk has been addressed. In forming our view we note that:

- ▶ Similar to many other local authorities, Walsall's health and care economy has been increasingly challenged during 2016/17.
- ▶ Increasing financial pressures across partner bodies has challenged the effectiveness of working relationships between the Council and the CCG. This has culminated in dispute resolution and a reworking of partnering arrangements on pooled budgets, in particular both Learning Disabilities and the Better Care Fund.
- ▶ The Better Care Fund has been monitored throughout the year via the Health and Well Being Board. We note that the annual submission to NHS England identify a number of areas where objectives have been met, but also highlight that there has been no improvement in non-elective admissions – a key measure for the Fund.
- ▶ Integration and Better Care Fund planning requirements for the 2017-19 Better Care Fund were released in July 2017. The Council and partners are developing plans based on the latest guidance. The planned areas of spend for 2017-18 will need to align with the wider integration initiatives across the Black Country system, particularly the Black Country Sustainability and Transformation Plan (STP).
- ▶ The development and implementation of the Black Country STP and the improved Better Care Fund needs to be central to the work programme of the Health and Wellbeing Board.
- ▶ Partnering with Walsall CCG is important for the Council, but in the context of our audit, the scale of the partnership and the matters arising during the year is not material to the value for money conclusion.

4.2.2.4 Overall conclusion against this significant risk

As a result, there is sufficient evidence to conclude that whilst there have been challenges during the year, on the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, there is no indication that the Council's arrangements are inadequate. Members will need to ensure there is ongoing review to ensure joint objectives with partners are delivered or there is appropriate action taken to mitigate the potential consequence of non-delivery to the Council.

4.3 Matters kept under review

We remain alert to the possibility of new or emerging significant risks as our audit progresses. In particular, we kept under review:

- ▶ The work and reports of regulators, such as the Care Quality Commission and OFSTED and the Information Commissioner.
- ▶ The outcome of other aspects of assurance work, such as the audited financial position and the Head of Internal Audit's opinion.

4.3.1 Work and reports of regulators

We maintained a watching brief for any work or reports of regulators since completing our initial risk assessment. There have been two reports issued:

- ▶ One report from the Information Commissioner in February 2017, who reported that "There is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance."
- ▶ One OFSTED Report from September 2017 covering the inspection of: services for children in need of help, protection, children looked after and care leavers; and a review of effectiveness of the local safeguarding children board. OFSTED's overall view is that "Children's services in Walsall require improvement to be good".

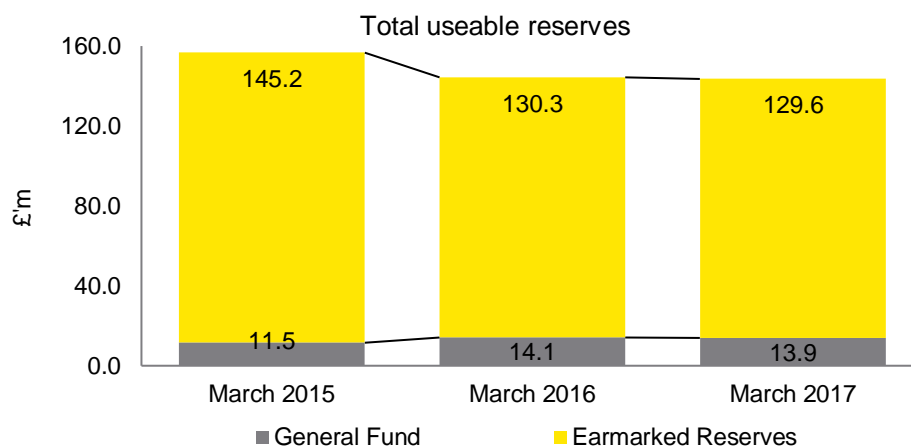
From our review of these reports, there is no evidence to suggest the existence of any further significant risks to the VFM conclusion. We recognise that action will need to be taken regarding children's services and the Audit Committee may wish to seek assurance that an appropriate action plan has been developed and is subject to appropriate levels of oversight and review.

4.4 The outcome of other aspects of assurance work, such as the audited financial position and the Head of Internal Audit's opinion

We have reviewed the Council's Annual Governance Statement, noting that no significant governance failures have been identified during 2016/17.

We also noted the Head of Internal Audit's overall view that "the Council's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by our audit work, eight of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports."

There have been no audit findings resulting in an adjustment to the Council's overall financial position or useable reserves. As a result of the stable financial position, there is no evidence to indicate a significant risk to value for money conclusion regarding the Council's arrangements to deploy resources in a sustainable manner.



The Council's useable capital reserves remain consistent over the past three year:

	Capital Receipts Reserve	Capital grants unapplied	Total capital reserves
March 2015	7.2	22.9	30.1
March 2016	8.1	20.9	29.0
March 2017	7.8	22.4	30.2

As a result, there is no evidence to suggest any further significant risks to the Council's overall arrangements to secure economy, efficiency and effectiveness in its use of resources.

Appendix A Uncorrected audit differences

No differences greater than £0.7million have been identified during the course of our audit and remain uncorrected.

Appendix B Corrected audit differences

As set out in Section 3, the Council has adjusted the financial statements to correct the valuation of Property, Plant and Equipment:

Adjustment	Explanation
DR Revaluation reserve	Creates a £12.9million charge to the unusable revaluation reserve
CR Property, Plant & Equipment	Reduces the value of Property, Plant and Equipment by £12.9million
Being the accounting entries required to recognise the reduction in value of PPE.	

Some presentational audit adjustments have been made to the supporting notes to the accounts. Of which the only significant change is:

Disclosures

Disclosure	Description of difference
Expenditure and Funding Analysis	The Council has expanded disclosures to show a reconciliation of the CIES published in 2015/16 and the comparative figures used in the 2016/17 CIES.

Appendix C Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Work to be completed prior to Audit Committee	To be completed as at Audit Committee date
Receipt of pension fund auditor's letter	Receipt of signed letter of representation
Receipt of one investment confirmation letter from the banking institution	Completion of the subsequent events procedures to the date of signing the audit report, including: <ul style="list-style-type: none"> ► Updating our minute review ► Meetings with management to confirm status and compliance with laws and regulations.
Reviewing the accounting adjustments processed by the Council for the devaluation of Property, Plant and Equipment as set out in Appendix B	Accounts re-certified by s151
Review of earmarked reserves	Approval of accounts by Audit Committee
Updating audit documentation regarding our testing of income and expenditure	Residual Audit Quality Control checks and documentation
Updating audit documentation on the Council's significant contracts and related parties	
Final review of our accounts disclosure checklist following amendments processed by the Council	

Appendix D Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated March 2017.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 25 September 2017.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of March 2017.

Appendix E Fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Planned fee	Actual fee
Total Audit Fee – Code work	£142,853	TBC – due to the additional work required relating to the LGPS and PPE valuation, we have undertaken additional procedures than originally planned which will be billed to the Council. This is subject to PSAA approval and will be reported to the Audit Committee in due course
Certification of claims and returns	£14,408	TBC – work is ongoing

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix F Draft auditors report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALSALL METROPOLITAN BOROUGH COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Walsall Metropolitan Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Movement in Reserves Statement,
- ▶ Comprehensive Income and Expenditure Statement,
- ▶ Balance Sheet,
- ▶ Cash Flow Statement,
- ▶ The related notes 1 to 46,
- ▶ The Expenditure and Funding Analysis on page x,
- ▶ Collection Fund¹ and the related notes 1 to 4.

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 2016/17.

This report is made solely to the members of Walsall Metropolitan Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 26 the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Report for 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the

audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Walsall Metropolitan Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ▶ 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;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Walsall Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure 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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Walsall Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Walsall Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Walsall Metropolitan Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Walsall Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

H Rohimun (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Manchester
September 2017

The maintenance and integrity of the Walsall Metropolitan Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Appendix G Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

No. 1 Colmore Square, Birmingham B4 6HQ, United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of Walsall Metropolitan Borough Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Walsall Metropolitan Borough Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. 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.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

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

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and Audit Committee, Cabinet (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:
 - a. Audit 25 September 2017
 - b. Cabinet 6 September 2017
 - c. Council 18 September 2017
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Comparative information – corresponding financial information

In accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, we have produced an Expenditure and Funding Analysis and revised the layout of the Comprehensive Income and Expenditure Statement. This has resulted in a reanalysis and restatement to the prior period comparatives.

The comparative amounts have been correctly restated to reflect the above matters and appropriate note disclosure of these restatements have also been included in the current year's financial statements.

Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).

Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Use of the Work of a Specialist – Valuation of Property, Plant and Equipment

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the Council. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

The management representations noted in this letter were reviewed by the Audit Committee at its meeting on 25 September 2017.

Yours faithfully,

(Section 151 Officer)

Appendix H Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process. 	Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Walsall Metropolitan Borough Council's ability to continue as a going concern for the 12 months from the date of our report.
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have not matters we wish to report.
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations 	We have received all requested confirmations.

Required communication	Reference
<ul style="list-style-type: none"> ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan Audit Results Report
Significant deficiencies in internal controls identified during the audit	Audit Results Report
Group audits	Not applicable
Fee Information <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report Annual Audit Letter if considered necessary
Certification work Summary of certification work undertaken	Certification Report

About EY

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ED None

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