

The Audit Findings for Walsall Council

Year ended 31 March 2023

November 2023



Contents



Your key Grant Thornton team members are:

Jon Roberts

Key Audit Partner

T 0117 305 7699

E jon.roberts@uk.gt.com

Kirsty Lees

Manager

T 0121 232 5242

E kirsty.lees@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	6
3. Value for Money arrangements	21
4. Independence and ethics	23
Appendices	
A. Communication of audit matters to those charged with governance	27
B. Action plan – audit of financial statements	28
C. Follow up of prior year recommendations	30
D. Audit Adjustments	31
E. Fees and non-audit services	34
F. Auditing developments	36
G. Management Letter of Representation	37
H. Audit opinion	39

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. Its contents have been discussed with management and the Audit Committee.

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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Walsall Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) 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 both on site and remotely during July-September. We have identified 1 adjustment to the financial statements, but this did not result in an adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are 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 (Appendix H) or material changes to the financial statements, subject to the following outstanding matters:

- testing and review of journals posted during the period;
- completion and review of property deeds sample testing;
- testing and review of useful lives on vehicles, plant and equipment assets sample;
- testing and review of other land and buildings revaluations sample;
- testing and review of the Council's investment in BAHL;
- follow-up of reconciling items within the March 2023 bank reconciliation;
- completion and review of net pension liability testing;
- completion and review of fees and charges income testing;
- completion and review of grant income testing;
- completion and review of starters, leavers and change in circumstances testing;
- completion and review of minimum revenue provision testing;
- completion of final audit work quality reviews;
- receipt of management representation letter (see Appendix G); and
- review of the final set of financial statements.

Please note that this is the position as at the time of writing this report, and we will provide a verbal update to Audit Committee members on 20 November where we expect this list will be substantially reduced in size.

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

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's Value for Money (VFM) arrangements has been completed. The outcome of our VFM work is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR), which is presented alongside this Audit Findings Report at the Audit Committee on 20 November. We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are 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 recently completed our VFM work and have issued our Auditor's Annual Report (AAR) alongside this Audit Findings Report (AFR) to the Audit Committee on 20 November. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

An audit letter explaining the reasons for the delay to the Code of Audit Practice expected AAR publication date of 30 September was sent to the Chair of the Audit Committee on 28 September.

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 have not identified any such risks from our work, as confirmed in the AAR.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's financial statements and value for money arrangements.

Significant matters

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

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? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to deliver an efficient audit. The Council published draft financial statements by the statutory deadline of 31 May, despite the 2021/22 financial statements not being signed until March which would have impacted the finance team's preparation for 2022/23, and provided supporting working papers and evidence in a timely manner.

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.

Walsall MBC had borrowings of £271.7m as at 31 March 2023, comprising mostly of Public Works Loans Board (PWLB) loans at £176.3m and Lender Option Borrower Option (LOBO) loans at £76.2m. From our work on value for money, we have not identified any issues with the level of borrowing at the Council, its ability to repay the borrowing, or the uses for the borrowing.

National context – other national issues

There was national press coverage in September 2023 that reported some public sector building may contain Reinforced Autoclaved Aerated Concrete (RAAC), which is susceptible to structural failure in moist conditions. The existence of RAAC in a building is likely to shorten its expected useful life and as a result limit the building's service potential and value. This issue has been known about for several years. We enquired with management of Walsall MBC around the potential existence of RAAC in the Council's property portfolio. Management confirmed that it had commissioned a review, utilising external surveyors, to assess Council-owned buildings and that this process had not to date identified any properties which were affected by RAAC.

There has also been recent publicity regarding equal pay, and the potential liabilities which some local authorities could face. We undertook enquiries to determine whether further audit work might be required at Walsall MBC. Management has confirmed that nearly all previous equal pay claims were settled several years ago, with 'single status' grading implemented in 2011 to resolve the underlying issues that could cause any future potential equal pay liabilities, and that management is not aware of the existence of any inappropriate 'task and finish' related practices operating within the Council.

2. Financial statements

Overview of the scope of our audit

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

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

Audit approach

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

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 20 November 2023, as detailed in Appendix H. These outstanding items include:

- finalising our testing and review of journals posted during the period;
- completion and review of property deeds sample testing;
- finalising our testing and review of useful lives on vehicles, plant and equipment assets sample;
- finalising our testing and review of other land and buildings revaluations sample;
- finalising our testing and review of the Council's investment in BAHL;
- follow-up of reconciling items within the March 2023 bank reconciliation;
- completion and review of net pension liability testing;
- completion and review of fees and charges income testing;
- completion and review of grant income testing;
- completion and review of starters, leavers and change in circumstances testing;
- completion and review of minimum revenue provision testing;
- completion of final audit work quality reviews;
- receipt of management representation letter (see Appendix G); and
- review of the final set of financial statements.

Please note that this is the position as at the time of writing this report, and we will provide a verbal update to Audit Committee members on 20 November where we expect this list will be substantially reduced in size.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted on page 6 of our audit plan presented to the Audit Committee in September, during the course of the audit both your finance team and our audit team faced audit challenges again this year, such as cover for sickness absence and access to key audit evidence. This resulted in us having to extend our resourcing arrangements to be able to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

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.

Our approach to determining materiality is set out below, identifying an increase in the materiality threshold as communicated in our audit plan.

	Planning amount (£)	Final amount (£)	Qualitative factors considered
Materiality for the financial statements	10.00m	11.00m	As communicated in our audit plan, we determined materiality at the planning stage to be £10m based on prior year gross operating costs. We reconsidered planning materiality on receipt of the draft financial statements and have updated our materiality threshold based on current year gross operating costs. This is because the Council's expenditure has increased between years, driven mainly by payroll, adults and children's social care, and increased energy costs. These are not considered to be exceptional items of expenditure and therefore the level of expenditure in the current year financial statements is reflective of usual operating conditions.
Performance materiality	7.00m	7.70m	Performance materiality has been set at 70% of financial statements materiality. This reflects our risk assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. It is the amount we set at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Trivial matters	0.50m	0.55m	Taken as a proportion of the materiality threshold, we consider that any matters below this threshold would be clearly inconsequential, taken individually or in aggregate. We will report to you all misstatements identified in excess of £0.55m.

2. Financial statements – significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Presumed risk of fraud in revenue recognition (rebutted) ISA (UK) 240</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition.</p> <p>It was reported in our Audit Plan that we had rebutted the presumed significant risk of material misstatement arising from improper revenue recognition of the Council's income streams. Our work has not identified any issues that would change our assessment.</p>
<p>Risk of fraud related to expenditure recognition PAF Practice Note 10</p>	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>It was reported in our Audit Plan that we had determined there was no significant risk of material misstatement arising from improper expenditure recognition of the Council's expenditure streams. Our work has not identified any issues that would change our assessment.</p>

2. Financial statements – significant risks

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.

The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of controls, and in particular journals, management estimates, and transactions outside the normal course of business as a significant risk.

We have:

- evaluated the design and implementation 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; and
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.

We did not identify any changes to accounting policies or estimation processes used by management.

At the time of writing this report, our work is subject to finalisation but our audit work to date has not identified any issues in respect of management override of controls.

Valuation of land and buildings and surplus assets

The Council revalues its land and buildings on a rolling five-yearly basis, and its surplus assets on an annual basis.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£361.1m in the Council's Balance Sheet at 31 March 2023) and the sensitivity of this estimate to changes in key assumptions.

Management will need to ensure that the carrying value 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.

We therefore identified valuation of land and buildings and surplus assets as a significant risk of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimates, the instructions issued to the valuation expert, 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 valuations were carried out to ensure that the requirements of the Code are met;
- challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;
- assessed the instructions issued by the Council to the valuer, the scope of the Council's valuer's work, the Council's valuer's reports and the assumptions that underpin the valuations;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated the assumptions made by management for those land and building assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

At the time of writing this report, our work is subject to finalisation but our audit work to date has not identified any issues in respect of valuation of land and buildings and surplus assets.

2. Financial statements – significant risks

Risks identified in our Audit Plan

Valuation of net pension liability

The Council's pension fund net liability, as reflected in its balance sheet within 'other long term liabilities', represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£92.3m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice for Local Government Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the net pension liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (the 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 pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; and
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

At the time of writing this report, we are yet to obtain assurances from the auditor of the West Midlands 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's financial statements.

We have reported our detailed review of the estimation process in the key judgements and estimates section on page 14.

We are yet to undertake our work on the latest triennial valuation of the West Midlands Pension Fund.

At the time of writing this report, our work is subject to finalisation but our audit work to date has not identified any issues in respect of the net pension liability.

2. Financial statements – other risks

This section provides commentary on the other audit risks communicated in the Audit Plan, in addition to the significant risks already identified.

Risks identified in our Audit Plan	Commentary
Completeness of non-pay operating expenditure	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the Council’s accounting policies for recognition of non-pay expenditure streams for appropriateness; • gained an understanding of the Council’s system for accounting for non-pay expenditure; • tested a sample of cash payments immediately prior to and following the year-end to ensure that the expenditure has been recognised in the correct financial period; and • tested a sample of invoices received immediately prior to and following the year-end to ensure that the expenditure has been recognised in the correct financial period. <p>At the time of writing this report, our work is subject to finalisation but our audit work to date has not identified any issues in respect of completeness of non-pay operating expenditure.</p>
Valuation of investments held at fair value	<p>In respect of the Council’s investment in the CCLA Property Fund, Morgan Stanley Sterling Liquidity Fund, CCLA Public Sector Deposit Fund, and HSBC Sterling Liquidity Fund, we have:</p> <ul style="list-style-type: none"> • agreed the valuation to direct confirmation from the CCLA, Morgan Stanley, and HSBC. <p>In respect of the Council’s investment in BAHL, we have:</p> <ul style="list-style-type: none"> • evaluated management’s process in determining the fair value through use of an expert; • considered the reasonableness of the estimate; • confirmed the mathematical accuracy of the Council’s share of the investment; and • reviewed the adequacy of the disclosures of the estimate in the financial statements. <p>At the time of writing this report, we have written to the external auditor of Solihull MBC (the lead authority in relation to BAHL which acts on behalf of the West Midlands councils) to gain assurance over the valuation of BAHL, but are yet to obtain the required assurances.</p> <p>At the time of writing this report, our work is subject to finalisation but our audit work to date has not identified any issues in respect of valuation of investments held at fair value.</p>

2. Financial statements – new issues and risks

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

Issue	Technical commentary	Auditor view
<p>IT control significant deficiencies</p>		
<p>Inadequate control over privileged (individual and generic) accounts within Oracle</p>	<p>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to unauthorised changes being made to system parameters, creation of unauthorised accounts, unauthorised updates to their own account privileges, or deletion of audit logs or disabling logging mechanisms.</p> <p>The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.</p>	<p>We have identified 10 users of the Oracle system that have both administrative access and financial responsibilities, creating a segregation of duties issue, and more than 40 users from a 3rd party support provider that have privileged access.</p> <p>We have also identified 4 generic accounts whose activity is not routinely monitored, which could render the activity untraceable to any specific individual.</p> <p>A control recommendation has been raised in Appendix B.</p>
<p>Inadequate control over self-assigning roles in Oracle Cloud by privileged users</p>	<p>Users who self-assign roles without formally documented approvals from the line manager or equivalent, creates a risk of inappropriate access within the application or underlying database resulting in segregation of duties conflicts.</p>	<p>From our sample testing, we have identified 1 instance of a user who gave themselves an additional role for which the Council was unable to evidence a formally documented approval.</p> <p>A control recommendation has been raised in Appendix B.</p>

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
<p>Land and building and surplus assets valuations</p> <p>£361.1m</p>	<p>Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings and surplus assets are not specialised in nature and are required to be valued at existing use in value (EUV) and fair value (FV) respectively at year end. For the majority of assets valued this year, the Council engaged its own internal valuer to complete the valuation of properties as at 31 March 2023 on a five yearly cyclical basis. For 4 specific assets, the Council engaged external valuers Lambert Smith Hampton and Avison Young. Approximately 87% of total land and building and surplus assets were revalued during 2022/23.</p> <p>Management has considered the year end value of non-valued properties based on application of relevant indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties' value.</p> <p>The total year end valuation of land and buildings and surplus assets was £361.1m, a net decrease of £4.6m from 2021/22 (£356.5m).</p>	<p>Work in this area is ongoing but to date we have:</p> <ul style="list-style-type: none"> • deepened our risk assessment procedures performed including understanding processes and controls around the identification and determination of the estimate; • not identified any issues with the completeness and accuracy of the underlying information used to determine the estimate; • no concerns over the competence, capabilities and objectivity of the valuation experts used by the Council; • considered the movements in the valuations of individual assets and their consistency with national indices provided by our auditor's expert; • reviewed management's assessment as to whether the assets not revalued as at 31 March 2022 are materially correct; • not identified any material errors within the disclosures in the financial statements; and • considered management bias in determining the estimate and evaluated evidence that might contradict management's assessment. 	TBC

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 £92.3m	<p>The Council's net pension liability at 31 March 2023 is £92.3m (PY £601.2m) comprising the West Midlands Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation of the West Midlands Pension Fund was completed for 31 March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £508.9m net actuarial gain during 2022/23.</p>	<ul style="list-style-type: none"> We have no concerns from our assessment of management's expert. We have no concerns from our assessment of the approach taken by the actuary. We have used PwC as auditor's expert to assess the actuary and the assumptions made by the actuary – see table below for the comparison made. No issues were noted in the completeness and accuracy of the underlying information used to determine the estimate. We have confirmed that the Council's share of LGPS pension assets is in line with expectations. We have confirmed that the decrease in the estimate is reasonable. The disclosure of the estimate in the financial statements is considered adequate. <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.70% - 4.85%</td> <td>● Appropriate</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.95% - 3.00%</td> <td>● Appropriate</td> </tr> <tr> <td>Salary growth</td> <td>3.95%</td> <td>3.45% - 5.45%</td> <td>● Appropriate</td> </tr> <tr> <td>Life expectancy Males currently aged 45 / 65</td> <td>45: 21.6 years 65: 20.8 years</td> <td>N/A</td> <td>● Appropriate</td> </tr> <tr> <td>Life expectancy Females currently aged 45 / 65</td> <td>45: 25.1 years 65: 23.6 years</td> <td>N/A</td> <td>● Appropriate</td> </tr> </tbody> </table> <p>Note that PwC has not provided ranges for the mortality assumptions of Hymans Robertson as the actuary uses individual employer-level life expectancies. PwC has confirmed that the methodology used is reasonable.</p>	Assumption	Actuary value	PwC range	Assessment	Discount rate	4.75%	4.70% - 4.85%	● Appropriate	Pension increase rate	2.95%	2.95% - 3.00%	● Appropriate	Salary growth	3.95%	3.45% - 5.45%	● Appropriate	Life expectancy Males currently aged 45 / 65	45: 21.6 years 65: 20.8 years	N/A	● Appropriate	Life expectancy Females currently aged 45 / 65	45: 25.1 years 65: 23.6 years	N/A	● Appropriate	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	4.75%	4.70% - 4.85%	● Appropriate																								
Pension increase rate	2.95%	2.95% - 3.00%	● Appropriate																								
Salary growth	3.95%	3.45% - 5.45%	● Appropriate																								
Life expectancy Males currently aged 45 / 65	45: 21.6 years 65: 20.8 years	N/A	● Appropriate																								
Life expectancy Females currently aged 45 / 65	45: 25.1 years 65: 23.6 years	N/A	● Appropriate																								

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
Investment in BAHL measured at fair value £28.2m	<p>Solihull MBC acts as the lead authority on behalf of the West Midlands councils, and commissions an external management expert to provide a valuation for the shares of Birmingham Airport Holdings Limited. The valuation uses an earnings-based approach, where the earnings multiples are based on an average of the lower-quartile earnings and transaction multiples for the industry, in this case, airports.</p> <p>Management of Walsall MBC uses this valuation by applying the Council's percentage of share ownership against the total valuation to arrive at the fair value of the Council's shareholding to include in the financial statements.</p>	At the time of writing this report, we have written to the external auditor of Solihull MBC (the lead authority in relation to BAHL which acts on behalf of the West Midlands councils) to gain assurance over the valuation of BAHL, but are yet to obtain the required assurances.	TBC

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 – information technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. See page 12 for the findings that led to this assessment. A separate, more detailed report containing our scope, findings, and recommendations consistent with the ratings as set out below has already been issued to management.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Oracle Fusion	ITGC assessment (design and implementation effectiveness only)					Management override of controls	Enhanced procedures incorporated into our journals testing to address the privileged access issues identified.
Active Directory	ITGC assessment (roll-forward testing only)					Management override of controls	None required

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial statements – other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, a draft of which is set out at Appendix G.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and treasury partners. This permission was granted and the requests were sent. All except one of these requests were returned with positive confirmation. One response is outstanding and we will look to perform alternative procedures on this balance should the third party confirmation remain outstanding.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, however we did identify a clarification to the depreciation policy that has been adjusted for in the financial statements – see Appendix D.
Audit evidence and explanations	All information and explanations requested from management were provided. As previously reported to Audit Committee, the audit has encountered delays due to staff absence, provision of evidence relating to property valuations, and assurances from external parties.

2. Financial statements – other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities. for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial statements – other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual 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.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix H.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual 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. <p>We have nothing to report on these matters.</p>



2. Financial statements – other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>No work is required as the Council does not exceed the threshold specified by the NAO. We will issue our Assurance Statement when we provide our opinion on the accounts..</p>
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Walsall Council in the audit report, as detailed in Appendix H.

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 requires 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

The NAO sets an expectation that Auditor's Annual Reports for local authorities should be issued by 30 September each year. Where an AAR will not be issued by this date, the auditor is required to inform the local authority in a letter communicating the reasons for the delay. An audit letter explaining the reasons for the delay was sent to the Chair of the Audit Committee on 29 September. We are issuing our Auditor's Annual Report alongside this Audit Findings Report at the Audit Committee on 20 November, which is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness but have raised a number of recommendations for improvement.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same 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.

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

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

Details of fees charged are detailed in Appendix F.

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 [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which have been charged from the beginning of the financial year to November 2023, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £ 2021-22	Fees £ 2022-23	Fees £ 2023-24	Threats identified	Safeguards
Audit related					
Certification of Housing Benefits Subsidy Claim	12,500	22,000	TBC	Self-interest (because this is a recurring fee)	The level of these recurring fees taken on their own is not considered a significant threat to independence as the fees for these pieces of work in comparison to the total fee for the audit of £171,122 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, they are fixed fees and there is no contingent element to them. These factors all mitigate the perceived self-interest threat to an acceptable level.
				Self-review (because GT provides audit services)	To mitigate against the self-review threat: the timing of certification work is done after the audit has completed; the immateriality of the amounts involved to our opinion; the unlikelihood of material errors arising; and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Non-audit related					
Subscription to CFOi	N/A	N/A	10,000	Self-interest (because this is expected to be a recurring fee)	The level of this fee (which is expected to be recurring) taken on its own is not considered a significant threat to independence as the fee for this piece of work in comparison to the total fee for the audit of £171,122 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

4. Independence and ethics

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

Matter	Conclusion
Relationships with Grant Thornton UK LLP	We are not aware of any relationships between Grant Thornton UK LLP and the Council 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 Council.
Employment of Grant Thornton UK LLP staff	We are not aware of any former Grant Thornton UK LLP partners or staff being employed, or holding discussions in respect of employment, by the Council 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 UK LLP and the Council.
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 Council, senior management or staff.

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

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – audit of financial statements
- C. Follow up of prior year recommendations
- D. Audit adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion

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 2 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	<p><u>Inadequate control over self-assigning roles in Oracle Cloud by privileged users</u></p> <p>From our sample testing, we have identified 1 instance of a user who gave themselves an additional role for which the Council was unable to evidence a formally documented approval.</p>	<p>Management should put proper processes and controls in place for the self-assignment of user access for privileged users to ensure that the activities are consistently performed, logged and monitored.</p> <p>Where new roles are self-assigned, management should have a process in place to record, approve and action the request based on user role, team and access level.</p> <p>Management response</p> <p>Actions have already been implemented in relation to this recommendation. No 3rd party support provider users now have access to the IT Security role in order to self-assign. Additionally, a procedure is in place to not allow the self-assigning of roles, and approval is required by the Lead Financial Admin & Support and either the Head of Finance – Technical and Transactional or the Senior Financial Admin Officer in their absence to approve any additional access.</p>

Controls

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

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
High	<p><u>Inadequate control over privileged accounts within Oracle</u></p> <p>We have identified 10 users of the Oracle system that have both administrative access and financial responsibilities and more than 40 users from a 3rd party support provider that have privileged access. These issues could cause segregation of duties conflicts.</p> <p>We have also identified 4 generic accounts whose activity is not routinely monitored, which could render the activity untraceable to any specific individual.</p>	<p>Management should undertake a review of all user accounts with privileged access on Oracle to confirm for each account the requirement for the account to be active and be assigned privileged access, and controls in place to safeguard the account from misuse.</p> <p>Where possible, generic accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed.</p> <p>Management response Review of Oracle licenses and appropriate user access is already performed regularly by the Council's One Source Support team. With regard to the 10 users identified with both administrative and financial responsibilities, these reviews continue to confirm that these privileges are required for those users' job roles, with all these roles either being part of the One Source Support team or roles carrying out subject matter expert functionality for different modules of the system. To reduce any risk associated with this, extensive validation checks are in place for all financial processes, alongside segregation of duties, and all of the users identified with privileged roles do not have the role of 'IT Security Manager' and therefore cannot administer or change end user security.</p> <p>With regard to the 40 users from the 3rd party provider that have privileged access, these all relate to Version 1 who are the Council's 3rd party Oracle Fusion Support Provider and would only ever use these privileges in the live system to implement any changes required / requested by the Council and to run data fixes.</p> <p>All access rights identified for those 40 users are appropriate, and a regular review is performed to ensure the continued appropriateness. At no one time would all 40 of these users have access to the live system. Access is granted and removed by the Council's One Source Support team and is only provided to the live system whilst our 3rd party provider implements any agreed changes - once successfully implemented that user's account is then made inactive within the live system. Ongoing access may be available to non-live environments, which are used for testing prior to implementing any changes, but no changes to live data can be made in those environments.</p> <p>With regard to the 4 generic accounts identified, when supporting a system and system processes there will always be the need for limited use of generic accounts (to reduce any risk around turnover / absence of staff). The Council continues to work with our 3rd party support provider to reduce the use of generic accounts and to ensure that any scheduled background processes are not affected in the closing down of these accounts. Further controls will be implemented to manage and record the utilisation of the remaining generic accounts, through exploring with the 3rd party support provider that access to the accounts is controlled by them, with internal users (from an approved defined list) having to request a password from them when access is required so that audit logs can be utilised to record any action and identify who undertook that action at that time, with then independent checks of that activity on a regular basis by a separate team.</p>

C. Follow up of prior year recommendations

We identified the following issue in the audit of Walsall Council's 2021/22 financial statements, which resulted in 1 recommendation being reported in our 2021/22 Audit Findings Report.

We have followed up on the implementation of our recommendation and note that it is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	The Council's bank reconciliation at 31 March 2022 included an unreconciled difference of £87,546 with the narrative "Chip & Pin & MyWalsall timing differences currently being investigated in this financial year." Although trivial in value, any differences on the bank reconciliation should be fully investigated and cleared as part of the monthly reconciliation process.	<p><u>Management response</u></p> <p>The payments project workstream that was hoped would enable the Council to reconcile differences relating to timing differences from card payments has seen a delay to its full implementation which was expected in February / March 2023. This project is ongoing with implementation planned in 2023/24 to improve the timeliness and completeness of the monthly process and provide improved access to reporting.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

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

There was 1 adjusted misstatement, made to the published draft financial statements before the statements were provided to Grant Thornton for audit.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Revised actuarial report				
A revised actuarial report was received by the Council between the publication of the draft financial statements and the provision of draft financial statements to the audit team, which used more accurate information relating to pension asset valuations. This showed that the gross pension assets value had decreased at 31 March 2023.				
DR Unusable reserves – pension reserve		13,109		
CR Other long term liabilities		(13,109)		
Overall impact	Nil	Nil	Nil	Nil

D. Audit adjustments

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Note 5 Dedicated Schools Grant	Shortly after the publication of the draft financial statements, a presentational adjustment was made to the Dedicated Schools Grant disclosure note to reflect the appropriate split of expenditure between the Council and individual schools.	✓
Note 7 Officers' remuneration	An element of pension contribution had been omitted for the Executive Director – Economy, Environment & Communities. This has now been included.	✓
Note 7 Officers' remuneration	The disclosure for employees over £50,000 used information from an outdated report. This has now been updated.	✓
Note 13 External audit costs	The disclosure has been updated to reflect the audit fees and non-audit fees as per this Audit Findings Report.	✓
Note 22 Financial instruments	In the 2021/22 audited financial statements, an audit adjustment was recognised to amend the value of the net pension liability on the Balance Sheet and in the pensions disclosure note. This audit adjustment was erroneously not reflected in the financial instruments disclosure note. Management has opted to amend the prior year comparative for non-current non-financial liability creditors in the financial liabilities table to reflect a correct figure consistent with the prior year comparatives in other areas of the financial statements. This is not material (£6.97m) and therefore doesn't meet the requirement for a prior period adjustment, however we are not minded to report the amendment as an unadjusted error as it relates to a disclosure only and ensures consistency in the prior period comparative figures disclosed in the financial statements. Management has added narrative to this disclosure to explain the reason for the prior period adjustment.	✓
Note 36 Significant accounting policies	The policy for property, plant and equipment measurement and depreciation has been amended to clarify that a full year of depreciation is applied in the year of acquisition and none in the year of disposal.	✓
Collection Fund Note 3 Payments to precepting bodies	The presentation of the precept demand and surplus/(deficit) payment values has been amended to show these figures gross rather than net. This presentation has also been adopted for the prior year comparative figures. The overall net positions remain unchanged.	✓

D. Audit adjustments

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	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
<u>Error when calculating the accumulated absences accrual</u>					Immaterial
We identified an error in the percentages used to calculate the employer's NI and teachers' elements of the calculation, which has led to an understatement of the accrual.					
DR CIES expenditure	798		798	Nil	
CR Short term creditors - other		(798)			
Overall impact	798	(798)	798	Nil	

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	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
<u>Movement in valuation of PPE assets</u>					Immaterial
We identified a potential increase in the value of assets that were valued in year between the valuation date of 01 January 2022 and the year end date of 31 March 2022.					
DR PPE		6,100			
CR revaluation reserve		(6,100)			
Overall impact	Nil	Nil	Nil	Nil	

E. Fees and non-audit services

Due to the work that is still to be completed we cannot finalise our fees at this stage, but we have included our proposed audit fee below for information.

Audit fee for 2022/23	Proposed fee
PSAA scale fee for 2022/23	£123,122
Enhanced procedures as a result of lower materiality	£3,750
PPE valuation - appointment of auditor's expert	£5,000
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Impact of ISA 540	£6,000
Enhanced procedures on journals in response to regulatory requirements	£3,000
Infrastructure assets procedures	£2,500
Increased reviews in response to regulatory requirements	£1,500
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 and 240	£5,000
Total audit fee 2022/23 (excluding VAT)	£171,122

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee £	Final fee £
Audit related services		
Certification of Housing Benefits Subsidy Claim 21-22	12,500	12,500
Certification of Housing Benefits Subsidy Claim 22-23	22,000	TBC
Non-audit related services		
Subscription to CFOi 23-24	10,000	10,000
Total non-audit fees (excluding VAT)	44,500	TBC

The audit fee of £171,122 agrees directly to the financial statements figure of £0.171m.

The non-audit fees reconcile to the financial statements as follows:

- non-audit fees per financial statements for 2022-23 £0.022m
- add fees for 2021-22 and 2023-24 services above totalling £0.0125m
- total non-audit fees per above £0.0445m

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

F. Auditing developments

Revised ISAs

There are changes to the following ISAs (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

These impact audits of financial statements for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

This impacts audits of financial statements for periods commencing on or after 15 December 2022.

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

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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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. <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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.

G. Management Letter of Representation

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

[Date]

Dear Grant Thornton UK LLP

Walsall Metropolitan Borough Council **Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Walsall Metropolitan Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

Financial Statements

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of other land and buildings and surplus assets, the net pension liability, and the investment in Birmingham Airport Holdings Limited. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

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

Except as disclosed in the financial statements:

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

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

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

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

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

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

We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:

- a. A Collective Agreement was reached in 2011 with the recognised trade unions as part of the Single Status Agenda.
- b. The Council has adopted the equality proofed National Joint Council (NJC) for Local Government's Job Evaluation Scheme which ensures that work of equal value is allocated to the same salary banding, progression within which is determined by performance. The scheme is regularly updated to comply with equal pay legislation.
- c. The Council's Pay Policy Statement determines its approach to pay and the Personnel Committee ensures the provisions set out in the statement are applied consistently throughout the Council.
- d. Roles and working arrangements whereby individuals or groups may work less time than their contracted hours do not exist in the Council.

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

G. Management Letter of Representation

We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

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

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

The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

We are not aware of a material issue in relation to reinforced autoclaved aerated concrete (RAAC) being used within the assets of the Council.

Information Provided

We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

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

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

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

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

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

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

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 20 November 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

H. Audit opinion

Our draft audit opinion is included below.

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

Independent auditor's report to the members of Walsall Metropolitan Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Walsall Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director – Finance, Corporate Performance and Corporate Landlord (Section 151 Officer)'s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director – Finance, Corporate Performance and Corporate Landlord (Section 151 Officer)'s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director – Finance, Corporate Performance and Corporate Landlord (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director – Finance, Corporate Performance and Corporate Landlord (Section 151 Officer) with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Financial Report other than the financial statements and our auditor's report thereon. The Director – Finance, Corporate Performance and Corporate Landlord (Section 151 Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

H. Audit opinion

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Annual Financial Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Director – Finance, Corporate Performance and Corporate Landlord (Section 151 Officer)

As explained more fully in the Statement of Responsibilities [set out on page x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director – Finance, Corporate Performance and Corporate Landlord (Section 151 Officer). The Director – Finance, Corporate Performance and Corporate Landlord (Section 151 Officer) is responsible for the preparation of the Annual Financial Report, 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director – Finance, Corporate Performance and Corporate Landlord (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director – Finance, Corporate Performance and Corporate Landlord (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and management bias within significant accounting estimates. We determined that the principal risks were in relation to high value manual journals posted as part of the year end closedown process, journals posted by senior finance officers, journals in relation to related parties, and journals releasing grant income received in advance to the Comprehensive Income and Expenditure Statement. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on high value manual journals posted as part of the year end closedown process, journals posted by senior finance officers, journals in relation to related parties, and journals releasing grant income received in advance to the Comprehensive Income and Expenditure Statement,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of other land and buildings and surplus assets, the net pension liability, and the investment in Birmingham Airport Holdings Limited, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

H. Audit opinion

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the presumed significant risk of fraudulent revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- **Financial sustainability:** how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:** how the Authority ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:** how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Walsall Metropolitan Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



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