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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Grant Thornton

The Audit Findings for Walsall Metropolitan Borough Authority

Year ended 31 March 2020

23 November 2020

DRAFT

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Walsall Metropolitan Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council including the administration of grants to businesses, closure of schools and car parks with additional challenges of reopening services under new government guidelines. The finance team have also had to consider managing staff sickness, access to systems and team capacity. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 27 July 2020. In that addendum we reported an additional financial statement risk in respect of Covid-19 and highlighted the impact on our VfM approach. Further detail is set out on page 6. The draft financial statements were provided to the audit team on 5 June 2020. Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely including, remote accessing financial systems, video calling, alternative procedures for the physical verification of assets and completeness and accuracy of information produced by the entity. Inevitably remote working has impacted on delivery and additional time and resources have been necessary on both sides to complete the work in accordance with the new extended reporting timetable. In particular, Covid 19 has increased the work undertaken in relation to Pensions Liabilities and Property Valuation due to the uncertainty of valuations. There has also been an increase in the time taken to perform the audit as a direct result of remote working. This has increased time spent on the audit and there will be an increase in audit fees.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Walsall Metropolitan Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the 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 on site/remotely during July-November . Our findings are summarised on pages 8 to 19. We have not identified any adjustments to the financial statements that have required adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix C or material changes to the financial statements, subject to the following outstanding matters;

- Queries on PPE revaluation and Pensions
- Receipt and consideration of the Assurance Letter from the Pension Fund external auditor to admitted body auditors
- Final Engagement Lead review of audit work
- Updating our post balance sheet events review, to the date of signing the opinion
- Receipt of management representation letter
- Review of the final set of financial statements
- Whole of Government Accounts audit work
- Receipt of the Assurance Letter from the Pension Fund external auditor to admitted body auditors

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

Our anticipated audit report opinion will be unqualified but include an Emphasis of Matter paragraph, highlighting land and building and pension fund asset valuation material uncertainties due to the impact of the Covd19 pandemic.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Walsall Metropolitan Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Walsall Metropolitan Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We identified one significant value for money risk; planning finances effectively to support delivery of strategic priorities and maintain statutory functions. We updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We did not identify any new VfM risks in relation to Covid-19, but have considered the impact on financial planning. We anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 8 to 19.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code but are unable to issue our completion certificate until we complete the Whole Government Accounts review.

Acknowledgements

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

Audit approach

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 a separate report on findings will be presented to the Audit Committee;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you in February 2020, to reflect our response to the Covid-19 pandemic, Our audit plan addendum reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach.

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 23 November 2020, as detailed in Appendix C. These outstanding items include:

- Queries on PPE revaluation and Pensions
- Whole of Government Accounts
- Final audit housekeeping steps
- Updating our post balance sheet events review, to the date of signing the opinion
- Receipt of management representation letter
- Review of the final set of financial statements
- Receipt of the Assurance Letter from the Pension Fund external auditor to admitted body auditors

Materiality

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality levels remain the same as reported in our audit plan We detail in the table below our assessment of materiality for Walsall Metropolitan Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	9.700,000	Financial performance of the Council focussing on the cost of services.
Performance materiality	7,275,000	75% of headline materiality.
Trivial matters	485,000	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for Officer Remuneration	100,000	Materiality has been reduced for remuneration disclosures to £100k due to its sensitive nature and public interest.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement	We: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 5 June 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Councils' property valuation expert • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. • engaged the use of auditor experts for asset valuations As a result of our procedures and as set out on page 14 a material uncertainty in respect of land and buildings and pension fund asset valuations as at 31 March 2020 has been reported in the financial statements. We will draw attention to this uncertainty through inclusion of an emphasis of matter paragraph to be included in our audit report. We have not identified any further material uncertainties in relation to Covid-19 that would result in a material misstatement in the financial statements.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Walsall MBC, mean that all forms of fraud are seen as unacceptable	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Walsall MBC, mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for Walsall Metropolitan Borough Council. Whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, this was one of the most significant assessed risks of material misstatement.	We: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions Our audit work has not identified any issues in respect of management override of controls

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£361.5m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used . We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement. As a result of Covid-19 and advice from RICS valuers have stated in their reports that there is a material uncertainty in relation to PPE valuation.	We: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work • Evaluated the competence, capabilities and objectivity of the valuation expert • Wrote to the valuer to confirm the basis on which the valuation was carried out to ensure the requirements of the Code were met • Challenged the information and assumptions used by the valuer to assess completeness and consistency with out understanding • Engaged our own valuer to assess the instructions to the Authority's valuer, the valuers report \and the assumptions that underpin the valuation • Tested revaluations made during the year to see of they had been input correctly into the Councils asset register • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end Due to the outbreak of Covid-19 market activity is being impacted in many sectors. The Council's valuers have considered that less weight can be attached to previous market evidence to inform their opinions of value. They have therefore reported to the Council on the basis of 'material valuation uncertainty' The Council have expanded the relevant wording within the Financial Statements in relation to material uncertainty to give the reader a better understanding of the RICS guidance. We will include this within our Emphasis of Matter to draw this to the attention of the reader. This work is currently ongoing

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£572.4 million) in the Authority's 2019/20 balance sheet) and the sensitivity of the estimate to changes in key assumptions.	The Council uses Barnett Waddingham to provide actuarial valuation to of the Authority's assets and liabilities derived from the pension scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.. We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • [not yet] obtained assurances from the auditor of 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 financial statements. This work is ongoing

Other audit risks

Risks identified in our Audit Plan	Auditor commentary
International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted) The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments. In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.	We reported in our plan to you in February 2020 that the implementation of IFRS 16 would be recognised as a risk for 2019/20 Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases Review of the draft financial statements showed that this disclosure had not been included within the financial statements. The Council have agreed to amend the accounts and include the necessary disclosures. See Appendix A for audit adjustments

Significant findings – other issues

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 control deficiencies identified during the year.

Issue	Commentary
Accounting treatment of loans and investments	
As part of its normal course of business Walsall Metropolitan Borough Council lends and borrows from other local authorities and approved financial institutions to manage its cash flow and to finance capital expenditure. We noted that the balance sheet includes debtors of £54m and creditors of £12m relating to “forward deals”.	We challenged this accounting treatment as in our view it did not comply with the requirements of the Code or IFRS. Following discussion with the Finance Team and consultation with our Financial Instruments expert the Finance Team agreed to amend the accounts. This adjustment only impacts on the balance sheet and has no impact on the reported financial position for the year or on General Fund balances and reserves.
Accounting treatment of capital grant income	
Service expenditure in the Comprehensive Income and Expenditure Statement (CIES) includes £23.2 million of Growth deal and Disabled Facilities grant.	We challenged this accounting treatment as in our view it does not comply with Code requirements. As Revenue Expenditure Financed as Capital Under Statute this should be disclosed as Central income and not allocated to services. The Finance Team have decided not to amend the accounts. This has no impact on the reported total net cost of services.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £361.5m	Other land and buildings comprises £307.4m of 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 (£54.1m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged their internal valuer, Avison Young and Cushman and Wakefield to complete the valuation of properties as at 1 January 2020 on a five yearly cyclical basis. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 3. A sensitivity analysis has been included within this disclosure. The valuation of properties valued by the valuer has resulted in a net decrease of £28m. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 1 January 2020 and have commissioned their in house valuer to provide a desktop review of the movements 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. Our work around this assessment is currently ongoing.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuers to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revalutions made during the year to see if they had been input correctly into the Council's asset register The Council have expanded the relevant wording within the Financial Statements in relation to material uncertainty to give the reader a better understanding of the RICS guidance. We will include this within our Emphasis of Matter to draw this to the attention of the reader. Work is still ongoing	GREEN

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Auditor commentary
Land and Buildings – Other - £361.5m	We have used Wilkes Head and Eve as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:

Area of review	Wilkes Head and Eve comment	Audit team follow up	Assessment
Clarity of terms of engagement and instructions.	We can confirm that this is in line with process expectations and therefore we are of the view that this element of the process has been covered effectively.	N/A	● GREEN
Valuation approach and reasoning .	The Valuer has made reference to the approaches adopted, the methods applied, and the key inputs used in addition to covering the principle reasons for the conclusions reached. This is in line with expectations for this element.	N/A	● GREEN
Commentary on any material uncertainty in relation to the valuation where it is essential to ensure clarity on the part of the valuation user .	The Valuer has included a 'Material Valuation Uncertainty' clause as a result of the current 'Global Pandemic' in relation to Novel Coronavirus (COVID-19). This element has been outlined in line with the legislation to ensure that the client understands that the valuation report has been completed under extraordinary circumstances	The inclusion of the 'material valuation uncertainty' is in line with our expectations.	● GREEN
Valuation Frequency	The approach appears in line with general practice for these types of valuation process although there is no reference to assets within the portfolio not included within the valuation exercise in addition to whether the period between the valuation date and the closing book date has been considered. It may be prudent to ascertain whether these have been reviewed to ensure that the carrying amount does not differ materially from the value at the balance sheet date	Our work includes review and challenge of the assets not valued and the movement in valuation from valuation to year end. – no issues identified.	● GREEN

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £572.4m	The Council's [total] net pension liability at 31 March 2020 is £572.4m (PY £531.5m) comprising the West Midlands Pension Local Government Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The Council's actuary disclosed a material uncertainty in the valuation of the Council's pension fund liability at 31 March 2020 as a result of Covid-19 The Council has agreed to amend the accounts to included disclosures on this issue in Note 3.. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy ,discount rates ,salary growth and investment return .Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £40.9m net actuarial loss during 2019/20.	See below	GREEN

We have

- Undertaken an assessment of management's expert
- Reviewed and assessed the actuary's roll forward approach taken,
- Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.35%	2.35%	Green
Pension increase rate	1.90%	1.85 – 1.95%	Green
Salary growth	2.9%	1% above CPI (1.9%)	Green
Life expectancy – Males currently aged 45 / 65	23.8	22.8-24.7	Green
Life expectancy – Females currently aged 45 / 65	26	25.2-26.2	Green

Reviewed

- the completeness and accuracy of the underlying information used to determine the estimate
- Impact of any changes to valuation method
- Reasonableness of the Council's share of LGPS pension assets.
- Reasonableness of increase in estimate
- Adequacy of disclosure of estimate in the financial statements

Our work is subject to consideration of the WMPF's ISA19 report

Assessment

- (Red) We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- (Amber) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- (Yellow) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- (Green) We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Level 2/3 investments	The Council have an investment in Birmingham Airport that is valued on the balance sheet as at 31 March 2020 at £15.04 million. The investment is not traded on an open market and the valuation of the investment is subjective. In order to determine the value, management have used an market approach based valuation. The value of the investment has reduced in 2019/20 due the impact of the pandemic. We have used an auditors expert to review the investment valuation. Remaining financial assets and liabilities are carried at amortised cost and classed as level 2 (this means that they are not traded and can be valued by reference to observable inputs). The value can be assessed by calculation of the present value of cash flows that will take place over the remaining term of the instrument.	We have • reviewed the appropriateness of the underlying information used to determine the estimate • assessed managements expert as competent to carry out the valuation • due to the additional risks for 2019/20 we have used our own valuation expert to review the work of the management expert • agreed the consistency of estimate against peers • checked the reasonableness of decrease in estimates • and ensured the adequacy of disclosure of estimates in the financial statements. We consider managements processes and key assumptions on the valuation of this investment to be reasonable We are aware that subsequent to the balance sheet date, the Covid-19 pandemic and continued related Government restrictions on travel have had a significant impact on Birmingham Airport Holdings Limited's (BAHL) trading. BAHL forecasts to retain a satisfactory cash balance, but will not comply with the June 2021 covenants relating to the financing arrangements, unless passenger volumes and revenues recover quickly. BAHL shareholders, including the seven West Midland Local Authorities collectively, have stated their intention to engage in further discussion should tangible support be required. Such corrective action could have a significant impact on the valuation of the Authority's investment in BAHL. All of the seven West Midland Local Authorities including Walsall Metropolitan Borough council are considering reporting this as a non-adjusting event after the balance sheet date in their 2019/20 financial statements.	GREEN

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings – going concern

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).

It has been a challenging year due to the Covid-19 pandemic, which has seen the administration of grants to businesses, closure of schools and car parks with additional challenges of re-opening services under new government guidelines and the need to free up teams in addition to normal responsibilities.

Going concern commentary	Auditor commentary
Management's assessment process Management have responded to the questions we set out on going concern in our “Informing the Audit Risk Assessment” document which confirms: • There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the Council’s ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date. • The Council monitor cash flow on a daily basis, including maintaining an up to date forecast position for at least the next 12 months. These cash flow forecasts do not indicate any material uncertainty relating to the Authority’s continuing ability to meet financial obligations. • Excluding the impact of the pension liability, the Authority, has a strong balance sheet, with cash and cash equivalents of £49.7million.	The going concern assumption is a fundamental principle in preparing financial statements. Under this principle, Walsall MBC is deemed to be a going concern for the foreseeable future. The statutory duties undertaken by the Authority and the method in which funding is raised and provided by central Government are set to continue. There is no intention to cease trading or seek protection from creditors. The Authority has a Medium Term Financial Strategy (MTFS) which is regularly reviewed with the medium term financial outlook updated to reflect the forecast financial position of the Authority going forward. This has been updated regularly to reflect the pressures on the budget in relation to the pandemic. In addition based on our own review of the Authority, we are aware that the Authority has set an "approved budget" for 2020/21 and has a longer term financial plan. The going concern assessment includes a cash flow forecast. The cashflow forecast does not indicate any signs of significant financial difficulty that would cause concern. The Interim Executive Director for Resources takes overall responsibility for monitoring and reporting financial projections and reserve management. As such we consider that the assessment undertaken by the Council on going concern is a reasonable and valid one and there are no indications of material uncertainty.
Work performed We have • Reperformed and reviewed the underlying assumptions of the Authority’s cash flow forecast • Reviewed other medium term financial planning documents to assess robustness of financial position.	• Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption. • Excluding the impact of the pension liability, the Authority, has a strong balance sheet, with cash and cash equivalents of £49.7 million. • The Authority has mainly PWLB debt £198 million plus £171 million non-PWLB debt and there is no requirement to borrow further to meet any immediate liabilities falling due • The Council set a budget in line with local government requirements for 2020-21 • Management have confirmed that at the end of Month 4 the Council is forecasting a £1.8m overspend within normal pressures, but is also monitoring the uncertainty on of ongoing Covid pressures regularly using a best and worse case scenario. The range of pressures at Month 4 range from £13- £45m. .These emerging pressures are being regularly updated and mitigating action is being taken where possible.

Significant findings – going concern

Going concern commentary	Auditor commentary
Concluding comments	The Council has robust medium term planning processes and has built up a significant quantity of cash and cash equivalents (and corresponding reserves) to both enable it to carry out planned capital works as well as allow a sufficient reserve and cash balance to provide sufficient headroom against the impacts of Covid 19. Clearly the pandemic has been a factor in both the Council's thinking going forward as well as the audit team's work from a going concern and VfM perspective. The Council's income streams (local taxation, fees and charges) have been affected and are susceptible to change as a result of the pandemic. These impacts are being monitored regularly by the Council using a best and worse case scenario. We are also aware that funding from central government is being made available to mitigate the additional risks facing the Council, however there does remain uncertainty over the actual levels and if this will cover the extra costs generated by providing services during the pandemic. The Council is monitoring closely the financial impacts using the best available data. Transformation and mitigating actions are being implemented to combat further overspends. The strong reserves position and ability to liquidate cash and cash equivalents provide a stabilising effect for the Councils plans. We are therefore of the view that the going concern assertion is likely to be appropriate for the Council and will not include a material uncertainty in this area within our audit report

Other matters for communication

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	Auditor 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 other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work
Written representations	A letter of representation has been requested from the Council, which is included in the Audit Committee papers
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banks, lenders, and investment institutes. This permission was granted and the requests were sent. We are still receiving these confirmations, should we require, we will perform alternative audit procedures to gain the assurance needed.
Disclosures	Our review found that forward dealing accounting practices had been used in relation to borrowing (£54m) and Investments (£12m) with the council using IFRS9 to support the accounting treatment.. These forms of borrowings and investments are excluded from IFRS9 and as per the code should be recognised when funds are drawn down or money lent. The accounts have been amended to reflect the correct accounting treatment. This has nil effect on the balance sheet. See appendix A for further details .
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix C
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Due to the delays created by the pandemic the NAO have not yet issued instructions in relation to WGA. Therefore this work is not yet completed .
Certification of the closure of the audit	We are unable to certify the closure of the 2019/20 audit of Walsall Metropolitan Borough Council until WGA has been completed. as detailed in Appendix C.

Value for Money

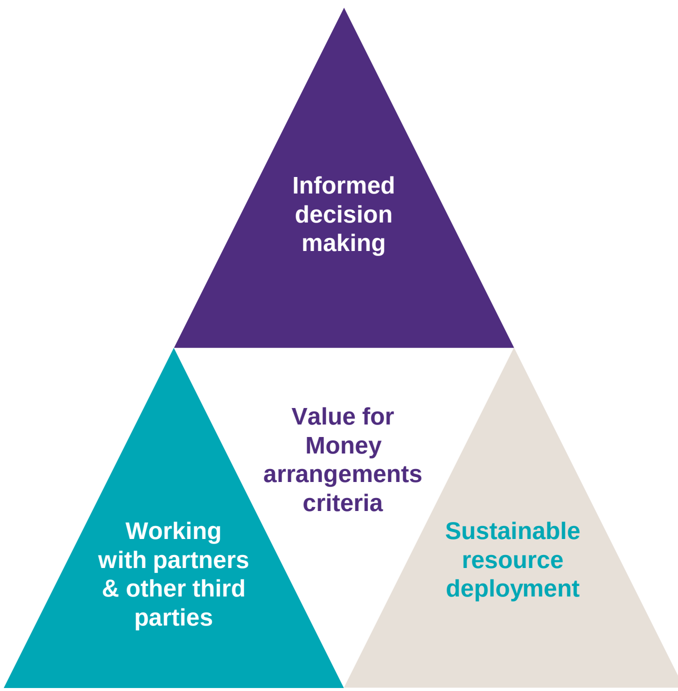
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in March 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Progress Report dated July 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We have not identified any new VfM risks in relation to Covid-19. We do not consider Covid-19 to be a significant risk given the date of the pandemic.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Sustainable Resource Deployment – planning finances effectively to support delivery of strategic priorities and maintain statutory functions.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 24 to 26.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix C.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement. Our recommendations and management's response can be found in the Action Plan at Appendix A

Although changes since 31 March 2020 are not taken into account in reaching our value for money conclusion for 2019/20 we do note the following. Since 31 March 2020 both as a result of the impact of the pandemic and the acknowledgement that formal savings reports from the PROUD transformation programme were required, the Council have increased its monitoring and reporting. This is to ensure that the Medium Term Financial Plan (MTFP) takes into account the financial pressures that the Covid19 pandemic is having on services and to rephase the PROUD programme to better reflect the requirements of transformation.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Sustainable Resource Deployment

Planning finances effectively to support delivery of strategic priorities and maintain statutory functions

We identified the following risk in our audit plan:

The Council is not immune to austerity cuts but does have a history of performing to budget. However this is coupled with significant financial challenges over the medium term. Performance pre-audit is an overall net revenue outturn is £121.08m against a budget of £121.37m, an underspend variance of £291k (0.05% of gross expenditure) Adult Social Care and Children's Services are particularly stretched with an overspend of £1.33m against budget.

The 2019/20 budget included £20.08m of savings / cost reductions and efficiencies. £11.35m have been achieved. Unachieved savings have been incorporated into the 2020/21 budget. The achievement of the £5 million PROUD transformational savings included within the 2019/20 budget has been delayed and amended within the 2020/21 budget proposals. As such any savings from PROUD remain to be tested.

Over the Medium term the Council continues to face similar financial pressures and uncertainties to those experienced by other Local Government bodies.

We said we would:

Review and evaluate the revised Medium Term Financial Plan to see how the budget gap is to be addressed in the medium term. We will also review the PROUD savings programme going forward to ensure realistic assumptions have been built into budget setting.

Value for Money

Findings

We have noted the following:

- In December 2018, Cabinet agreed a range of benefits and financial objectives in relation to the PROUD programme investment and benefits. The business case identified that by transforming ways of working the Council could achieve between £39.2m to £80.9m of recurring benefit over the three life of the programme. Within the Council's original agreement it is stated that 'in year financial benefits will exceed the in-year investment and therefore finance itself, without placing any strain in any particular year on the medium term financial plan' This was not achieved in 2019/20 with a £5 million shortfall on forecast PROUD savings.
- The financial outturn for 2019/20 was positive for the Council, an underspend of £0.29 million on a net revenue budget of £121.37 million. As in previous years budgets were managed well despite increasing pressure on Adult and Children's Services and planned PROUD savings of £5 million not being delivered, due to the delay in implementing proposed new working practices. Unachieved PROUD savings have been moved forward into subsequent years and the Council managed 2019/20 budget delivery with alternative actions, including the use of earmarked reserves, use of one off grant and general efficiencies.
- There was limited formal reporting on the delivery PROUD objectives in the early part of 2019/20, but during the year the PROUD programme was reprofiled and reset, including an improved focus on monitoring progress with outcomes through monthly reporting to Corporate Management Team (CMT). The original financial targets were found to be too ambitious and the required investment costs higher than originally anticipated. The investment to savings ratio of 1:3 initially approved by Cabinet, was revised to 1:2.5 in September 2020 and savings reprofiled and re-approved by Cabinet.
- The impact of Covid on the Council's service delivery has resulted in some elements of the reprofiled PROUD programme being delayed, although there has been accelerated investment in IT to support remote access for customers and staff working from home. This has enabled the achievement of some of the objectives of PROUD in relation to smarter working.
- Although a balanced 2020/21 budget was set the MTFP identifies a need to find £53.09 million of additional savings over the following two years to 2022/23, This includes £23.57m of Covid-19 related costs/loss of income. The range of impact from the pandemic is difficult to estimate with increased pressures on delivery of services particularly in relation to Adult and Children's services, delays in savings achievement and the amount of support funding received from central government.
- The MTFP is regularly updated to ensure the financial pressures due to the pandemic are accounted for and the delivery of PROUD savings appropriately profiled. Both the response to the pandemic and PROUD programme implementation are transforming service delivery as staff adopt new ways of working. These changes should lead to improved efficiency and savings to help meet the current and future financial challenge and deliver the ambition of the Council Plan and Proud programme. At Month 4 of 2020/21 £1.8m of non-Covid savings pressures were reported to Cabinet.
- At the 31 March 2020 the Council's had total General Fund reserves of £170.9 million, comprising of £14.4 million General Fund balance £156.5 million of earmarked reserves (£8.0 million of which were school balances) and a cash liquidity of £49.7 million. The Council recognises that the financial challenges it faces will put pressure on the 2021/22 budget and careful management of the plans in place, reserves management and carefully monitoring the impact of Covid on costs and income will be required.

Value for Money

Auditor Conclusion

Our conclusions are as follows:

The Council has recognised that the original PROUD delivery timeline was over ambitious and not deliverable. It has taken positive action to ensure there is effective progress monitoring and re-considered what is achievable. The re-assessment of the investment required and profile of savings needs to be carefully monitored as the challenges and uncertainties of the Covid pandemic continue to impact on the Council's operations and finances.

The delivery of the 2019/20 budget helped to ensure that the Council was in a sustainable financial position when it was faced with the unprecedented financial pressures caused by the Covid pandemic. It is continuing to manage these financial challenges effectively and has sufficient General Fund balances and reserves to support its financial position in the short term.

Despite the pressures and uncertainties of the Covid pandemic and the slippage in PROUD savings delivery the Council is on track with its 2020/21 budget delivery.

The local authority funding uncertainties and continuing Covid financial pressures mean that the Council faces a significant financial challenge over the next two years. Although it has a good track record on managing its financial position, it is likely that difficult decisions will need to be made as part of the 2021/22 budget setting process to ensure financial sustainability is maintained.

Based on our review of the significant risk identified we have concluded that Walsall Metropolitan Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Management response

It is recognised that difficult decisions will need to be made as part of the 2021/22 budget setting process to ensure financial sustainability is maintained and this is confirmed within the October Cabinet report. This report has identified £21m of savings, leaving a further c£12m to identify by February 2021 in order to set a balanced budget. Proud programme delivery has recommenced and management are confident in the identification of the remaining £12m of savings.

Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix B

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. No non-audit services were identified which were charged from the beginning of the financial year to November 2020, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fee £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £109,997 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.

Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Borrowing -reduce liabilities		54,000	0
Debtors - reduce assets		(54,000)	
Investments – reduce assets		12,000	0
Creditors – reduce liabilities		(12,000)	
Overall impact	**£0**	**£0**	**£0**

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.

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	Detail	Auditor recommendations	Adjusted?
Disclosure	Various	A number of disclosure notes have had minor amendments to correct and provide enhancements to improve the understanding for the reader	✓
Disclosure	Note 3 - Estimation Uncertainty	The note has been amended to include the detail in relation to the RICS valuation material uncertainty paragraph in relation to Covid 19. The uncertainty in relation to pension fund valuation has also been included.	✓
Disclosure	Note 10 – Officers Remuneration	Interim cover of two months had been omitted from the note. This has been amended.	✓
Disclosure	Note 29 – Financial Instruments	The fair value of the PWLB loan had been understated by £1.159m. Fair Value requires amending to read £241.2m as per LINK report.	✓
Disclosure	Note 29 – Financial Instruments	Cash and Cash Equivalents had been omitted from the note. This has now been amended.	✓
Disclosure	Note 18 – Events after the Balance Sheet Date	The Academy school treated as a Post Balance sheet event should be removed as the transfer was accounted for in the 2019/20 year and was known at 31 March 2020.	✓
Disclosure	Note 18 – Events after the Balance Sheet Date	The note to the accounts to be amended to include the impact of Covid-19 Council's investment in Birmingham Airport – this will be a non-adjusting event.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The CIES contains capital income within the service lines of the accounts. The Code states that all capital funding should be included in the corporate line and not the service line.				The income relates to revenue expenditure funded from capital. Adjustment has no impact on the bottom line.
Service Line	(23.216)			
Corporate Line	23.216			
Overall impact	**£0**	**£0**	**£0**	

Fees

Audit fees	**£**
Council Audit fee per Audit Plan	131,997
Fee variation due to additional audit work on the accounting treatment of borrowings and loans	2,000
Fee variation due to impact of Covid-19 on audit input	TBC
Total audit fees (excluding VAT)	**TBC**

We confirm there were no fees for the provision of non audit services.

Proposed fee variations will be confirmed with the s151 Officer and are subject to approval by PSAA Ltd and have not been accrued in the 2019/20 financial statements.

Non-audit fees for other services	**Proposed fee £**	**Final fee £**
Housing Benefit Grant Claim	12,500	TBC
Total non- audit fees (excluding VAT)	**£12,500**	**£TBC**

Audit opinion

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

We have audited the financial statements of Walsall Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 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 2019/20; 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. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Interim Executive Director Resources and Transformation and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Interim Executive Director Resources and Transformation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Executive Director Resources and Transformation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Interim Executive Director Resources and Transformation conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.
However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Audit opinion

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments
We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in note 3 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

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

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

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Financial Report, [the Preface, the Narrative Report, and the Annual Governance Statement] for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

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

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

Responsibilities of the Authority, the Interim Executive Director Resources and Transformation and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page29 , 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 Interim Executive Director Resources and Transformation The Interim Executive Director Resources and Transformation is responsible for the preparation of the 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Interim Executive Director Resources and Transformation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Audit Opinion

In preparing the financial statements, the Interim Executive Director Resources and Transformation is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

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

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

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

[Signature]

Richard Percival , Key Audit Partner

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

Birmingham

[Date]

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