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The Audit Findings for Wirral Council

Year ended 31 March 2023

December 2023

Contents

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

Name: Sarah Ironmonger
For Grant Thornton UK LLP
Date: 12 December 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wirral 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), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely during July-November. Our findings are summarised on pages 6 to 25. We have identified seven adjustments to the financial statements that have resulted in a £3.6m adjustment to the Council's Comprehensive Income and Expenditure Statement (mainly as a result of the updated actuarial valuation of the Merseyside Pension Fund). Audit adjustments are detailed in Appendix E. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix D.

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

- Final senior management reviews;
- receipt of management representation letter - see appendix H; and
- review of the final set of financial statements

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 is not yet complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). 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 not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix J to this report. We expect to issue our Auditor's Annual Report by 31 January 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. In our Audit Plan, we identified risks in respect of: Financial sustainability The Council is continuing to face financial challenges and is in a difficult financial position financially and was only able to manage its previous two years' financial positions through the capitalisation of revenue expenditure. For those two years the Council was reliant on exceptional financial support in the form of a capitalisation directive to achieve a year end balanced budget. There is a challenging savings target for 2023/24 based on current assumptions, which historically the Council has been unable to deliver. Given the low level of general fund reserves, there is limited scope for non-delivery of savings in the future and reliance on the general fund reserves to mitigate any non-delivery of savings plans. The Council has an ambitious capital programme which will result in increased revenue pressure in future years via the Minimum Revenue Provision (MRP) and interest payments. The Council is currently benefiting from a reduction in its MRP payments which will unwind in future years. Governance There are a number of entities which operate within the Council's group boundary, which has undergone a number of changes over the two years. It is essential in a period of change that there are clear and effective governance arrangements in place with oversight for the Council and entities for which it has control over. Improving economy, efficiency and effectiveness The Council has made the decision to bring the provision of social care services back in house, which had led to additional associated costs. There is a risk that the arrangements will not lead to improving economy, efficiency and effectiveness of the use of Council resources. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report (Section 3).
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion
Significant matters	The number of adjustments made to the accounts had significantly increased compared to prior years' audits. The decision to adjust for certain non material errors was not clearly communicated in all cases which resulted in further work being performed to ensure sufficient assurance was obtained on the financial statements.

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)

We would like to thank everyone at the Council for their support in working with us to enable completion of the audit. Both the finance team and audit team have continued to make good use of the Microsoft teams meetings throughout the audit, to keep the regular contact and maintain momentum during the audit. In particular, the increased use of digital software has enabled effective sharing of evidence to support the audit process.

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. We have noted the increased use of short term loans during 2022/23 which is due to a combination of cashflow factors, including the utilisation of reserves, grants and the continuation of the capital programme, being partially funded via borrowing. We will review the implications of this through our Value for Money work.

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 content have been discussed with management and the Audit and Risk Management 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;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 27/06/2023

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 and Risk Management Committee meeting on 12 December 2023, as detailed in Appendix I. These outstanding items include:

- Final senior management review;
- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on the 27 June 2023, but we have set specific materiality levels for Senior Officer Disclosures.

We set out in this table our determination of materiality for Wirral Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	10.321m	We have determined materiality as 1.25% of the gross operating expenditure for the year. This is in line with the standard approach and reflects the risks associated with the Authority's financial performance.
Performance materiality	6.709m	Assessed as 65% of financial statement materiality and based on our knowledge of the Authority and consideration of previous audit findings and adjustments.
Trivial matters	0.516m	Assessed as 5% financial statement materiality.
Materiality for the Senior Officer Remuneration Disclosures	-	The senior officer remuneration disclosure has been identified as an area requiring specific materiality due to the sensitivity of disclosures in this area. We will report any errors identified in the respective disclosures.

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk 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 control, in particular journals, management estimates, and transactions outside the normal course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.	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 • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Results There were no changes to any accounting policies or estimation processes from the prior year. Our testing of high risk journals did not identify any issues in respect of management override of controls. Our consideration of the accounting estimates and critical judgements applied by management is documented within the key judgements and estimates on page 15 to 18. We have nothing further to report on the matter.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue improper recognition risk Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition may not be rebutted completely, because we have identified that certain revenue streams such as fees, charges and other service income could be overstated in order to achieve the year end balanced position, given the ongoing financial pressures the Council faces. For the remaining material revenue streams, we have acknowledged the following: • there is little incentive to manipulate revenue recognition for • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable. We have therefore rebutted the risk of improper recognition of revenue from Council tax payers, business rates payers and government grants.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition cannot be rebutted completely, because we have identified that certain revenue streams could be overstated. We have carried out the following procedures to ensure that revenue included within the accounts is materially correct: • evaluated the Council's accounting policy for revenue recognition for appropriateness and compliance with the Code. • updated our understanding of the Council's system for accounting for accounting for revenue and evaluating the design of relevant controls. • undertook detailed substantive testing on the revenue streams in 2022/23, with a particular focus on completeness of revenue, that it had been recorded in the correct financial year. Results: Our substantive testing on the revenue transactions recorded in 2022/23 identified a number of errors which has resulted in an adjustment of £2.3 m being made to the financial statements. We had to extend our testing, due to the original transaction reports including items which netted to nil and having no impact on the revenue recognised in the year. This resulted in 18 items of the initial sample of 74, having to be replaced and retested. Further errors were identified in the completeness testing performed, where accruals had not been made for activity incurred during 2022/23 for which income was received post year end. For the initial sample of 18 items tested, errors were identified in three cases and one additional error was identified in the extended testing of another 10 items. Whilst the total value recorded for the errors is below trivial at £102k, a recommendation has been made to ensure a review of accruals is carried out during the accounts preparation to ensure all revenue is accounted for in the correct financial period. Apart from the above, our work has not identified any issues in relation to revenue improper recognition therefore we have nothing to report on this matter.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Risk of fraud related to expenditure recognition – Practice Note 10. 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). Having considered the risk factors set out in ISA 240 and PN10 and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure manipulation can mainly be rebutted as: there is little incentive to manipulate expenditure recognition for opportunities to manipulate expenditure recognition are very limited the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable. However, we have determined that the risk of fraud arising from expenditure recognition may not be rebutted completely, because there may be a risk of non-pay expenditure being understated and the treatment of REFCUS not being fully evaluated to achieve a balanced year end position given the ongoing financial pressures the Council faces.	In response to this risk we have: • evaluated the Council's policy for the recognition of non-pay expenditure • compared listings of 2021/22 accruals to those of 2022/23 to ensure completeness of significant recurring items • documented the goods received not invoiced accruals process and the processes management has in place, challenging key assumptions, the appropriateness of source data and the basis for calculations • obtained a listing from the cash book of non-pay payments made in March, April and May 2023 to ensure they have been charged to the appropriate year • obtained a listing from the AP system of invoices received in March, April and May 2023 to ensure they have been charged to the appropriate year • substantively tested a sample of year-end creditor and accrual balances • substantively tested a sample of expenditure classified as REFCUS to ensure that it has been accounted for correctly in line with the Code. Results: From our testing on non-pay payments made and invoices received we have identified six fails that sum to £3.3m, these have failed the test as all items should have been accrued for as they relate to the 2022/23 financial year. In the initial sample of 76 items test, we identified three fails totalling £2.7m. A further three fails totalling £322k were identified in the extended sample of 20 items. The accounts have been adjusted for the one individual transaction tested above triviality, £2.8m, with the remaining balance unadjusted due to being trivial. A recommendation has been made to ensure a review of accruals is carried out during the accounts preparation to ensure all expenditure is accounted for in the correct financial period. Our testing of a sample of expenditure accounted for as REFCUS identified items which were incorrectly accounted for, in that the asset was actually a Council asset, therefore should have been accounted for as capital expenditure. Whilst this is trivial in value (£199k) the accounts been adjusted for, see Appendix D. Apart from the above, our work has not identified any issues in relation to improper expenditure recognition therefore we have nothing to report on this matter.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings and Investment property. The Council revalues its land and buildings on a rolling five-yearly basis. Investment properties are revalued annually to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements. The valuation of land and buildings is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time. However, the valuation methodology for Local Government land and buildings is specified in detail in the CIPFA Code and the sector is highly regulated by RICS, therefore we will focus our audit attention on assets that have large and unusual changes and / or approaches to the valuation of land and buildings, as a significant risk requiring special audit consideration. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will report an updated risk assessment for valuation of land and buildings in our Audit Findings Report.	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 out to them and discuss with the valuer 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 • engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the Council's 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 Results: • The Council uses its own In-House Valuers to value its Land and Buildings. The valuer prepared their valuations in accordance with the RICS Valuation - Global Standards using their existing knowledge of the Council's property portfolio. Those assets considered to be of high value were revalued, along with a sample of 20% of assets in accordance with their rolling programme as at 31 March 2023 with the Valuers undertaking site visits in order to carry out their valuations. For the remainder of the assets an assessment of the expected movement in values was performed, using the results of the sampled revaluations and knowledge of the market conditions both nationally and locally during the period up to 31 March 2023. • The valuer has opted to use insurance appraisals as a basis for the asset valuations instead of the industry standard BCIS rates. We have challenged the assumptions used in the calculations and obtained the evidence that the valuations have been appropriately adjusted for age and obsolescence factors and where appropriate the valuations adjusted for the modern equivalent for the DRC valuation assets. Our auditors' expert has confirmed that this is an appropriate basis for valuation. • We reviewed the other key assumptions used by the valuer in their valuation and source information, such as floor plans, used in the valuations. We are satisfied that the key assumptions and source information are appropriate. • We considered the movements in valuation and carried out the procedures set out above, including comparison of movements since the previous valuation with appropriate market movement [Gerald Eve] indices. This provides assurance that valuation movements are in line with expectations. • For the investment properties valuations which are revalued annually in accordance with the Code, we challenged the valuer on the revaluations of a sample of investment properties in order to understand the assumptions made and what supporting market evidence the valuer used in order to arrive at the value of the investment properties. We have corroborated this evidence using recognised industry expert's commercial yield rates and are satisfied that the assumptions used by the valuer are considered to be appropriate. Our audit work has not identified any issues in respect of valuation of land and buildings.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation assumptions of the Pension Fund Net Liability The Council'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 (£27.8m) 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 However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 relating to the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.25% change in these two assumptions would have approximately 4% effect on the liability/surplus. 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.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Merseyside 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. Results: We have found no issues with the consistency of the pension fund asset and liability disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Our assessment of the work of the actuary confirmed that they were competent. • The work performed to assess the reasonableness of the actuarial assumptions did not identify any issues. • Following the triennial revaluation of the pension fund as at 31 March 2022, the Council requested an updated IAS 19 schedule. This was received and indicated an increase in the liability of £112m for the prior year. The Council have amended the accounts for this, and we have completed additional audit work on this. • The actuarial valuation as at 31 March 2023 indicated that there was a pension asset of £12.8m for the Local Government Pension Scheme, however when including the unfunded discretionary benefits element, there was an overall liability remaining in place. Our audit work has not identified any further issues in respect of valuation of the pension fund liability.

2. Financial Statements: Other risks identified

Risks identified in our Audit Plan	Commentary
Income guarantees in relation to commercial activities The Council is entering into a number of commercial activities where it is issuing guarantees or entering into complex transactions. These activities have significant potential liabilities for the Council. The Council has sought external consultancy on the accounting given this is a complex and specialised area. For some of the commercial schemes, these guarantees are now active as the contracts have been signed which is why we consider this to be an audit risk area.	We have: • updated our understanding of the commercial activities currently being undertaken and the impact of these activities on the Council's financial position • reviewed management's assessment of the income guarantees. • assessed the proposed accounting treatment for the income guarantees and related complex transactions to ensure it met the Code and relevant accounting standards' requirements. Results: We are satisfied that the proposed accounting treatment is deemed appropriate and in line with the code and accounting standards. A post balance sheet events note is required following the completion of the Birkenhead Commercial District building one and handover to the Council in October 2023.
The requirement to prepare group accounts Transactions between the Council and its entities within the group boundary are forecast to be material for 2022/23. The Council's consideration of what does and does not fall within the group boundary becomes a significant judgement as the impact of the judgement determines whether group accounts are required in line with accounting standards.	We have reviewed management's assessment of those entities within the Council's group boundary and the updated transactions for the year (2022/23) to determine whether they are material. We have concluded that group accounts are not required for 2022/23.

2. Financial Statements - Observations in respect of other 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.

Issue	Commentary	
Debt levels We note the Council has extended its debt and taken on new short term loans during 2022/23	The Council's short term borrowings increased to £137m, an increase of £64m from the prior year's balance as at 31 March 2022 (£72m). The risk of rising interest rates increases the cost of borrowing for the Council.	**Auditor view** We recommend that the Council proactively considers its debt levels, and undertakes stress testing to consider the implications of continued high interest rates. **Management response** The Council is actively reviewing its policy on borrowing to ensure it has a portfolio of short, medium, and long-term loans to minimise any interest rate volatility and reduce the burden on the general fund. Work has been undertaken during 2023/24 to conduct market comparison testing, and we have proactively taken steps to reduce interest costs where better rates are available.
Heritage assets On the Council's balance sheet there is a carrying value of £19m of heritage assets. There are assets which are held principally for their contribution to art and culture., with 70% of the balance relating to the Fine Art Collection.	We were able to test a sample of the heritage assets by agreeing to insurance valuations and confirming their existence. However, we have been unable to gain assurances over the value of £3m of the heritage assets balance as itemised listings could not be provided. We also note that the last valuation carried out on Leasowe Lighthouse was in 2008 and whilst heritage assets are not subject to depreciation, the carrying amounts should be reviewed for evidence of impairment.	**Auditor view** We recommend that the Council reviews the heritage assets that are currently held on the balance sheet and ensure that accurate records are maintained. In addition these assets should be reviewed for evidence of impairment in line with the Council's accounting policy on impairment. **Management response** The Council is currently undertaking a review of its Heritage assets to ensure proper records are maintained and valuations are available.
Completeness of the Fixed Assets Register	Through our testing of existence and rights and obligations of the assets recorded in the Council's Fixed Asset Register, we identified that the Council had included an asset which whilst had been paid for during 2022/23, the Council had yet to take receipt of. This asset was a Gas Governor with a value of £737k. Further testing identified 5 assets still held on the asset register which a nil net book value but are no longer in use.	**Auditor view** We recommend that the Council performs a regular review of the fixed asset register for completeness. **Management response** Due to the size and complexity of the assets held, there is a continual review of the fixed asset register to ensure an appropriate level of completeness, including classifications, is delivered annually.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £543m	Other land and buildings comprises £475m 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 (£68m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its own in-house valuer to complete the valuation of properties as at 31 March 2023 on a five yearly cyclical basis as well as all assets over £750k, 94% of total assets were revalued during 2022/23. Management has considered alternative estimates through their discussions with the valuer. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2023 by applying the percentage change identified for individual assets value to the class of assets non-valued combined with local knowledge of known market 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. The total year end valuation of land and buildings was £543m, a net increase/decrease of £56m from 2021/22 (£487m).	The values in the valuation report have been used to inform the measurement of the land and building assets at valuation in the financial statements; In understanding how management has calculated the valuations we have: • assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. • ensured the underlying information and sensitivities used to determine the estimate were considered to be complete and accurate. • confirmed the valuer has prepared their valuations in accordance with the RICS Valuation – Global Standards using th information that was available to them at the valuation date in deriving their estimates. • uplifted assets not valued in year using industry indices and considered local market factors to support management's assessment that there has been no material changes to the valuation of land and buildings not valued in year. • reviewed the level of disclosure in the financial statements to confirm that it is appropriate. We have nothing further to report on this matter.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £20m	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balances sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year at 31 March, The Council has engaged its in-house value to complete the valuation of properties as at 31 March 2023. Summarise how management have considered alternative estimates and addressed estimation uncertainty and the disclosure made in that respect. The total year end valuation of investment property was £20m, a net increase/decrease of £1m from 2021/22 (£19m).	The values in the valuation report have been used to inform the measurement of the investment properties valuation in the financial statements. In understanding how management has calculated the valuations we have; • assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. • ensured the underlying information and sensitivities used to determine the estimate were considered to be complete and accurate. • confirmed the valuer has prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. • reviewed the level of disclosures in the financial statements to confirm that it is appropriate, We have challenged the valuer on the market evidence used to supported the movement in the valuations. We have corroborated this evidence using industry expert's commercial yield rates and are satisfied that the assumptions used by the valuer are considered to be appropriate. We have tested a sample of rental income received during 2022/23 which supports the classification of the assets as investment properties. We have nothing further to report on this matter.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £29m IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	The Council's total net pension liability at 31 March 2023 is £29m (PY £573m) comprising the Merseyside Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Mercers 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 latest full actuarial valuation was completed in 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 £545m net actuarial gain during 2022/23.	In understanding how management has calculated the estimate of the net pension liability we have: • assessed the use of management's expert actuary (Mercers) and their calculation approach. • used PwC as auditors' expert to assess actuary and assumptions made by actuary –see table below.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.7 - 4.8%	✓
Pension increase rate	2.8%	2.7 - 2.8%	✓
Salary growth	4.2%	3.95 - 4.3%	✓
Life expectancy – Males currently aged 45/65	22.6 / 21.2	22.4 - 24.3 / 21.0 - 22.6	✓
Life expectancy – Females currently aged 45/65	25.5 / 23.7	25.3 - 26.6 / 23.5 - 24.7	✓

- assessed the completeness and accuracy of the underlying information used to determine the estimate, including liaison with the auditor of Merseyside Pension Fund.
- undertook a reasonableness test of the Council's share of LGPS pension assets and the reasonableness of the movement in the estimate..
- assessed the adequacy of disclosure of estimate in the financial statements.

Conclusion

We are satisfied that the estimate of your net pension liability is not materially misstated. We have nothing further report on this matter.

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
Minimum Revenue Provision - £14m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The total MRP includes a charge of £4.5m for the repayment of debt for the Merseyside Residual Debt Fund. This is offset by the repayments received by the constituent bodes for the same value as shown as capital receipts in Note 38 Capital Expenditure and Funding. The MRP calculation method adopted by the Council for supported capital expenditure incurred after 1 April 2008 is based on the expected useful life of the relevant assets using an annuity method. For unsupported capital expenditure incurred after 1 April 2008, MRP is based on the expected useful life of the relevant asset of as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure. The year end MRP charge was £9.3m, a net increase of £1.8m from 2021/22.	There has been no change to the method of calculating the MRP in 2022/23. The provision represents 3.6% of the Council's overall Capital Financing Requirement (CFR) of £375m and included the charge for the Merseyside Debt Residual Fund. This is a slight improvement on the prior year where it represented 3% on a closing CFR of £372m. The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financial capital assets will fall on future generations of tax-payers. We agree that the MRP has been calculated in line with the statutory guidance and that the Council's policy on MRP complies with statutory guidance. The increase in the MRP charge is deemed to be reasonable and represents the increase in borrowing taken out in 21/22 to fund capital expenditure which is subject to the MRP charge. Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation. The Council should continue to consider whether tis MRP policy is appropriate / prudent and has been fully incorporated into the future financial plans of the Council.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic.

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.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Oracle EBS	ITGC assessment design and implementation effectiveness only	🔴	🔴	🟢	🟢	Inadequate control over privileged / generic accounts within Oracle EBS and Oracle EBS database The risk identified is that users with administrative privileges in Oracle EBS database have the ability to bypass system enforced internal control mechanisms and may compromise the integrity of financial data. 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 not be traceable to an individual. Recommendation raised, see Section B.

Assessment

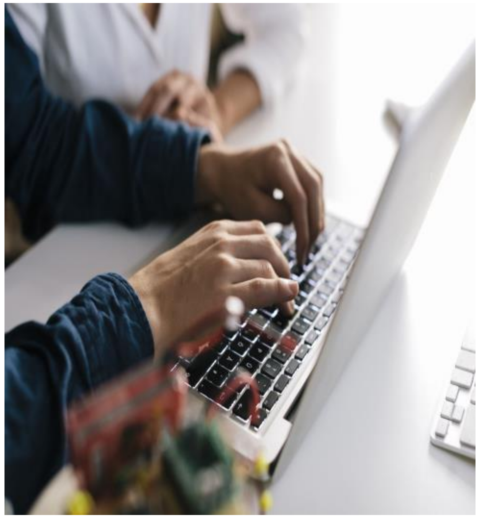
- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls 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 and Risk Management 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 set out at Appendix H

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements
Audit evidence and explanations/ significant difficulties	The amendments made to the financial statements were not clearly communicated which resulted in additional work being performed.

2. Financial Statements: other communication requirements

Our responsibility

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

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

2. Financial Statements: other communication requirements

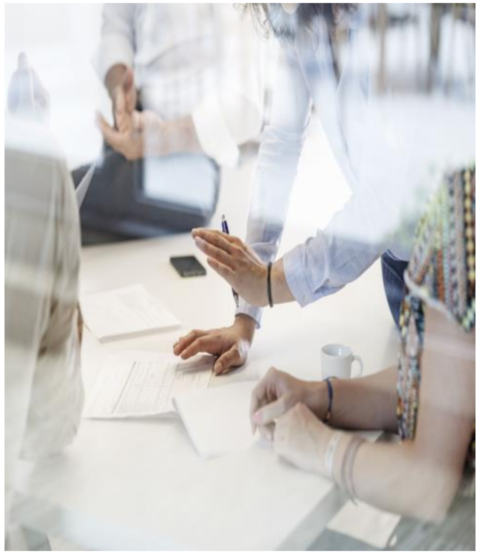
Our responsibility

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	Results There is a presumption under Practice Note 10 that local authorities are a going concern as the accounting framework assumes that statutory services will continue to be delivered by the public sector. However, auditors are required to consider whether a material uncertainty related to going concern exists. For the previous two financial years the Council required Exceptional Financial Support from the governance to achieve a balanced budget. An improved financial position in 2022/23 enabled the Council to end the year by increasing its general fund balance by £2.5m without the need to Exceptional Financial Support and has been able to set a balanced budget for 2023/24. As a result of the Council's ability to set a balanced budget in the short term and the assumption under practice note 10 that statutory services will continue, we have concluded that there is no material uncertainty with regard to the Council being a going concern. As reported in the prior we continue to have concerns with regard to the Council's financial sustainability and continual action is needed by the Council to resolve its budget gap. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified. • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, 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 I
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters at this stage. Our work is ongoing on the arrangements to secure value for money and will be reported in the Auditor's Annual Report.



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
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. Note that work is not required as the Council does not exceed the threshold
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of Wirral Council in the audit report, as detailed in Appendix I, due to incomplete VFM work.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 January 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below. Our work on these risks are underway and an update is set out below.

Risk of significant weakness	Work performed to date
Financial sustainability The Council is continuing to face financial challenges and is in a difficult financial position financially and was only able to manage its previous two years' financial positions through the capitalisation of revenue expenditure. For those two years the Council was reliant on exceptional financial support in the form of a capitalisation directive to achieve a year end balanced budget. There is a challenging savings target for 2023/24 based on current assumptions, which historically the Council has been unable to deliver. Given the low level of general fund reserves, there is limited scope for non-delivery of savings in the future and reliance on the general fund reserves to mitigate any non-delivery of savings plans. The Council has an ambitious capital programme which will result in increased revenue pressure in future years via the Minimum Revenue Provision (MRP) and interest payments. The Council is currently benefiting from a reduction in its MRP payments which will unwind in future years.	We have continued to meet with Senior Officers and Directors within the Council to update our knowledge of the arrangements in place. We have reviewed the Council's Committee meeting minutes and the associated reports presented to members as well as at directorate and service level. Our work is ongoing at the time of drafting this report.
Governance There are a number of entities which operate within the Council's group boundary, which has undergone a number of changes over the two years. It is essential in a period of change that there are clear and effective governance arrangements in place with oversight for the Council and entities for which it has control over.	As above
Improving economy, efficiency and effectiveness The Council has made the decision to bring the provision of social care services back in house, which had led to additional associated costs. There is a risk that the arrangements will not lead to improving economy, efficiency and effectiveness of the use of Council resources.	As above

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.

5. 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 were 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 £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	7,500 (22/23 proposed fee to be £20,000)	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 £7,500 in comparison to the total fee for the audit of £219,854and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management	GT are not taking any managerial responsibilities at the Council. The scope of work does not include making decisions on behalf of management.
Certification of Housing Benefit Claim	28,400 (22/23 proposed fee to be £71,280)	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 £28,400 in comparison to the total fee for the audit of £219,854 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management	GT are not taking any managerial responsibilities at the Council. The scope of work does not include making decisions on behalf of management.

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 and Risk Management Committee. None of the services provided are subject to contingent fees.

4. Independence and ethics

Service	Fees £	Threats identified	Safeguards
Audit related			
CFO Insights Subscription	18,750* (2021-204 proposed fee to be £37,500)	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 £18,750 in comparison to the total fee for the audit of £219,854 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provide audit services)	To mitigate against the self review threat , the audit will consider the accounting treatment of the payments made and this is not part of the CFO Insights subscription service. The work will be undertaken by a team independent of the audit team
		Management	GT are not taking any managerial responsibilities at the Council. The scope of work does not include making decisions on behalf of management.

* Includes £6,250 relating to 2023/24

4. Independence and ethics

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships with individuals	We have not identified any potential issues in respect of personal relationships with the Council
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the 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 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's 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

I. Audit letter in respect of delayed VFM work

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 3 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	**Inadequate control over privileged / generic accounts within Oracle EBS and EBS database** As reported on page 19, the risk of excessive use of accounts with privileged access increases the risk of bypassing system enforced internal control mechanisms and end users may be able to change system configuration settings without authorisation and approval.	Management should undertake a review of all user accounts on Oracle EBS to identify all privileged / generic accounts and where possible privileged / generic accounts should be removed with individuals having their own uniquely identifiable user accounts. **Management response** We have undertaken a review of all privileged / generic accounts during the current financial year and where possible removed any which were not required. The generic accounts configured in the system are part of the standard installation of the software and are used to perform scheduled tasks or to enable IT Staff to carry out system administration and support. These are part of the original build by the implementation partner at the time and followed an established methodology; following consultation with our current support partners deletion of these service accounts would carry significant risk. Our DBA team use these administration accounts to perform tasks such as starting and stopping databases, managing memory and storage, and creating and managing database user accounts.
Medium	**Revenue and Expenditure Accruals** A higher than expected number of errors was identified through our testing of the completeness of revenue and expenditure transactions. The risk is that revenue or expenditure could be under or overstated at the year end should activity occurring during the year not be accounted for correctly.	A review of the accruals process should be undertaken to ensure activities are accounting for in the correct financial period. **Management response** Management accepts the recommendation and will work with the finance team to provide further training and improved guidance as to the importance of ensuring accruals are recorded correctly. With the implementation of Oracle Fusion related issues should be reduced as automated accruals will increase.
Medium	**Completeness of the Fixed Asset Register** As reported on page 14, issues have been identified with the completeness of the records held in the Council's Fixed Asset Register	We recommend that the Council performs a regular review of the fixed asset register for completeness. **Management response** Due to the size and complexity of the assets held, there is a continual review of the fixed asset register to ensure an appropriate level of completeness, including classifications, is delivered annually.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Wirral Council's 2021/22 financial statements, which resulted in five recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and noted the updates on actions taken below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	**Debtors and Creditors Balances** There are a number of historical balances included within both the debtors and creditors year end balances on the balance sheet. The risk is that the Council is overstates its assets and / or liabilities where there is a low expectation of receiving the income due to the Council or the liability is no longer valid. This was raised in the previous year's Audit Findings Report. We recommended that a review of the debtors and creditors balances should be carried out, and old debts where the likelihood of receiving the income is low or evidence for the expenditure is no longer available should be written off.	Work is continuing to review the debtors and creditors balances to ensure the balance sheet is correctly reported. As balances are reviewed any transactions where they need to be considered for write-off will be undertaken following the agreed finance procedure rules.
In progress	**Ledger Balances** The Council's financial system contains transactions data and relating information that is no longer considered appropriate. We recommended that the Council should review the balances held on its balance sheet codes within the general ledger that they are carrying forward the correct balances. This will be especially important giving the fact that the Council is moving to a new finance system from 1 April 2023.	This work is being carried out in conjunction with the review of debtor and creditor balances and is continuing post implementation to the new Oracle Fusion ERP system.
In progress	**Reconciliation of the Fixed Asset Register to the General Ledger** Differences have been identified between the fixed asset register and the general ledger due to way in which the fixed asset register recognises valuation movements, in particular for downward valuations which it records as impairments.	The third party software can only treat downward revaluations in one way and therefore a manual adjustment is required to reflect the correct accounting in the General Ledger. The move to new Oracle Fusion once implemented should resolve this issue.

C. Follow up of prior year recommendations

We identified the following issues in the audit of Wirral Council's 2021/22 financial statements, which resulted in five recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and noted the updates on actions taken below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	MRP The Council is required to make a Minimum Revenue Provision (MRP) against borrowing. MRP represents 3% of the Council's overall Capital Financing Requirement of £262.6m when including the charge for the Merseyside Residual Debt Fund. For £170m of this balance the Council has made a reduced MRP provision of £7,000 in 2020/21 which takes into account an overpayment of the provision in previous years totalling £26m which has been reprofiled over a 10 - year period, effectively reducing the provision by £2.6m per year. We also note that the MRP has been calculated using the annuity method of 2% on the historical supported borrowing. This will result in a significant increase in MRP payments in future years. The policy has been approved by members. It should also be noted that the Council is forecasting a rise in its Capital Financing Requirement during 2021/22 of £75m, which will result in an additional £2.821m MRP charge for 2022/23. It is important that future capital plans take account of the impact on revenue of the related increases in MRP. Whilst the Council's policy on MPR complies with the statutory guidance we consider that the Council should reconsider whether its MRP policy is prudent.	The Council considers that it has a transparent MRP policy which is approved by Members annually, any changes have been brought to members attention. As reported on page 19 the MRP charge has increased slightly to 3.6% of the overall Capital Financing Requirement for the year ending 31/3/2023.
✓	Commercial guarantees The Council is entering into a number of commercial activities where it is issuing guarantees or entering into complex transactions such as PUT/Call options. These activities have significant potential liabilities for the Council. We also note that investments of this kind may also require minimum revenue provision payments. When we requested information on the liabilities and accounting implications of these transactions, we identified that the Council did not readily have this information available or in the case of the accounting treatments had not prepared papers. We have requested accounting papers from the Council and disclosure of these matters in the financial statements.	The Council has sought external expertise from Arlingclose regarding the accounting treatment for the commercial guarantees who provided the Council with a draft external report which we are in the process of reviewing and assessing.

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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Updated IAS 19 valuations The revised actuarial valuation of the Merseyside Pension fund as at 31 March 2023 has resulted in amendments required to the 2022/23 balances.	Net cost of services 1,055 Financing & investment income 3,153	Pension liability (1,094)	(4,208)	0
Covid Grant income Correction of overstating of income and expenditure	Gross Income (22,190) Gross Expenditure 22,190	0	0	0.
Fees and Charges Revenue testing identified items of revenue that has been incorrectly recorded in the financial statements	Gross Income 2,336 Gross Expenditure (2,336)	0	0	0
Asset revaluation correction Correction of a revaluation movement on a school, originally recognised as income	Net cost of services 494 Financing & investment income (494)	0	0	0
Annual Leave accrual Adjustment to the annual leave accrual included within the creditors balance	Net cost of services (328)	Short term creditors 328	328	0
Completeness of expenditure An accrual for expenditure incurred on a capital project during 2022/23 originally omitted	Net cost of services 23	PPE 1,143 Short term creditors (1,166)	(23)	0

Continued overleaf

D. Audit Adjustments

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Reclassification of equipment to assets under construction Our testing identified an item of equipment was not yet operational, this has been reclassified as assets under construction.	Net cost of services (82)	PPE 82	82	0
Adjustment to REFCUS expenditure Capital expenditure incurred on a Council asset was originally accounted for as REFCUS	Net cost of services 6 Taxation & non specific grant income (199)	PPE 192	192	0
Overall impact	£3,269	£(515)	£(3,629)	£0

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.

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 or Misclassification issue	Auditor recommendations	Adjusted?
Comprehensive Income and Expenditure Statement The prior year comparatives have been updated following completion of the 2021/22 audit and no requirement for the restated disclosure.	The Statement should be updated to disclose the correct comparative figures	✓
Cash Flow Statement The prior year comparatives do not agree to the 2021/22 audited Statement of Accounts.	The Statement should be updated to disclose the correct comparative figures	✓
Note 1 Accounting policies The policy includes a disclosure that group accounts are being adopted for the first time. This has not been the case for 2022/23.	The accounting policies should be updated due to single entity accounts being produced.	✓
Note 3 Critical judgements The narrative disclosures in relation to the future funding levels and provisions requires amending to meet the requirements of the Code and accounting standards.	Critical judgements should be updated to meet the requirements of the Code.	✓
Note 7 Expenditure and Funding Analysis The note has been updated to include reconciliation of outturn to net expenditure chargeable to the general fund	The notes should be amended to enable the readers of the accounts to understand the disclosures.	✓
Note 10 Other Operating Expenditure and Note 11 Financing and Investment Income and Expenditure The signage should be added to the notes to differentiate between gains and losses and the corresponding figures.	The notes should be amended to enable the readers of the accounts to understand the disclosures.	✓

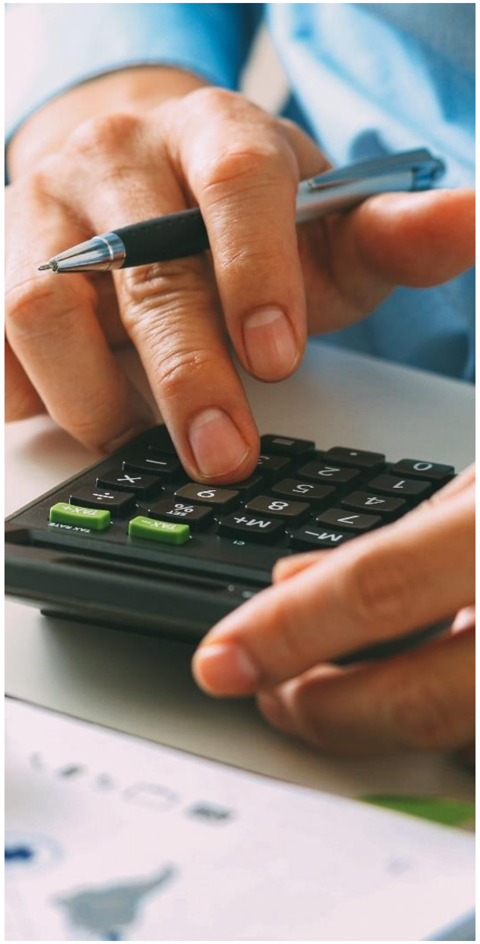
D. Audit Adjustments

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

Misclassification and disclosure changes continued

Disclosure or Misclassification issue	Auditor recommendations	Adjusted?
Note 12 Taxation and Non-Specific Grant Income and Note 35 Grant Income The comparative figures do not agree to the 2021/22 audited Statement of Accounts.	The notes should be amended to disclose the correct comparative figures	✓
Note 22 Creditors The figures require amending to agree to the supporting evidence	The note should be amended to disclose the correct figures	✓
Note 32 Officers Remuneration The total number of exit packages should be updated to disclosure the correct figures for both the comparative year and 2022/23	The notes should be amended to disclose the correct figures for both the comparative year and 2022/23	✓
Note 36 Related parties Changes were required to the organisation / member related parties disclosure to reflect the correct relationships.	The note should be amended to reflect the correct members and organisations relationships	✓
Note 44 Restatement of 2021/22 This note was included in the draft unaudited version of the accounts. As the prior year accounts audit opinion had yet to be issued at the time the draft 2022/23 accounts were published, there was the opportunity to amend the prior year for the final version.	The note can now be removed due to the prior year accounts being amended following submission of the draft accounts.	✓
Narrative Report A number of changes have been made to the narrative and numerical disclosures within the narrative report to reflect amendments made within the financial statements and associated notes.	The narrative report disclosures should be consistent with the information disclosed in the financial statements	✓

D. Audit Adjustments (continued)



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Risk Management Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Asset misclassified as Asset under construction	0	PPE (737) Short term debtors 737	0	0	Immaterial.
Overall impact	£0	£0	£0	£0	

E. Fees and non-audit services

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

Audit fees	Proposed fee(£)
Scale fee	139,157
Reduced materiality	6,875
Use of expert – audit team review and liaison	5,260
Value for Money audit – new NAO requirements	20,000
ISA 540	6,312
ISA 315	5,000
Additional journals testing	3,000
Infrastructure	2,500
Quality review – response to FRC	1,500
Other - local risk factors including commercial activities	30,250
Council Audit	£219,854
Total audit fees (excluding VAT)	**£219,854**

E. Fees and non-audit services

Non-audit fees for other services 2021/22	Proposed fee	Final fee
Audit Related Services	£35,900	£35,900
Other: CFO Insights	£12,500	£12,500
Total non-audit fees (excluding VAT)	**£48,400**	**£48,400**

Non-audit fees for other services 2022/23	Proposed fee	Final fee
Audit Related Services – not yet commenced	£91,280	TBC
Other: CFO Insights	£12,500	TBC
Total non-audit fees (excluding VAT)	**£103,780**	**TBC**

The fees reconcile to the financial statements.

- fees per financial statements £268,000
- Original proposed fee £220,000
- Non-audit fees (2021/22) £48,000
- total fees per above £268.000

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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

G. Management Letter of Representation

Grant Thornton UK LLP

Royal Liver Building

Liverpool

L3 1PS

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

Dear Grant Thornton UK LLP

Wirral 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 Wirral 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

i. 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.

ii. 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.

iii. 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.

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

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

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

vii. Except as disclosed in the 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.

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

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

x. 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.

G. Management Letter of Representation

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

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

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

xiv. We have updated our going concern assessment. 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

xv. 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.

Information Provided

xvi. 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.

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

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

xix. 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.

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

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

G. Management Letter of Representation

Annual Governance Statement

xxv. 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

xxvi. 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 and Risk Management Committee at its meeting on 12 December 2023.

Yours faithfully

Name…………………………….

Position…………………………..

Date……………………………..

Name…………………………….

H. Audit opinion

Our 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 Wirral Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Wirral Council (the 'Authority') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure 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 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 Chief Finance 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 Chief Finance 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 Chief Finance 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 Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

H. Audit opinion

Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon, and our auditor's report on the pension fund financial statements. The Chief Finance 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.

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 Statement of Accounts 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 Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 34, 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 Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance 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 Chief Finance 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.

H. Audit opinion

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 and Risk Management 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 and Risk Management 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. We determined that the principal risks were in relation to management override of control, in particular journals, management estimates and transactions outside the course of business. 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 the material year end transactions and manual journals posted during the year with high risk characteristics,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pension asset and liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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 potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations. 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.

H. Audit opinion

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.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

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 – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Wirral 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 until we have completed:

H. Audit opinion

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

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.

Signature:

Sarah Ironmonger, Key Audit Partner

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

Manchester

Date:

I. Audit letter in respect of delayed VFM work

Grant Thornton

Grant Thornton UK LLP
11th Floor,
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1 Oxford St,
Manchester,
M1 4PB

Cllr Jennifer Johnson
Chair of Audit and Risk Management Committee
Wirral Council
Wallasey Town Hall
Brighton Street
Wallasey
Wirral
CH44 8ED

28 September 2023

Dear Cllr Johnson,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report in early 2024.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

SIronmonger

Sarah Ironmonger

Partner

Grant Thornton

grantthornton.co.uk