The Audit Findings for Wirral Council

Year ended 31 March 2022

24 October 2023

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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 : 24 October 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 2022 for those charged with governance.

Financial Statements

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

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

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), 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 has been carried out mainly remotely during October-January, with a further extension to the audit as a result of the Merseyside Pension Fund's triennial valuation being made available prior to audit completion. Our findings are summarised on pages 2 to 24. During the audit, an adjustment was identified that has resulted in £8.291m adjustment to the Council's Comprehensive Income and Expenditure Statement and Balance Sheet. Audit adjustments are detailed in Appendix C.

We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

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

- receipt of management representation letter – see appendix F; 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 audit report opinion will be unqualified.

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 now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

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 following risks of significant weakness:

- The arrangements in place to ensure the Council manages risks to its financial sustainability; and
- The arrangements in place for Council governance and its ability to make key decisions.

We have performed further procedures in respect of these risks and have completed this element of our VFM work. Our findings are set out in the value for money arrangements section of this report.

Statutory duties

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

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

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

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Auditor's Annual Report in November 2023.

Significant Matters

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

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit 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; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 27 June 2022.

Conclusion

We have completed our audit of your financial statements, and we will be issuing an unqualified audit opinion following the Audit and Risk Management Committee meeting on 24 October 2023, as detailed in Appendix E and receipt of management's representation letter and the review of the final set of financial statements.

Acknowledgements
We would like to take this opportunity to record our appreciation for the all 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 27 June 2022.

We detail in the table below our determination of materiality for Wirral Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	9.925m	We have determined materiality as 1.21% of 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	7.443m	Assessed as 75% of financial statement materiality and based on our knowledge of the Authority and consideration of previous audit findings and adjustments.
Trivial matters	0.496m	Assessed as 5% financial statement materiality
Materiality for Materiality for the senior officers' remuneration disclosures.	-	The senior officer remuneration disclosures 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 course of business as a significant risk for the group and the Council, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • 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 a sample of journals did not identify any issues in respect of management override of controls. Our consideration of the accounting estimates and critical judgements applied by managements is documented within the key judgments and estimates section on pages 14 to 17. We have nothing further to report on this matter.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA 240 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.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can not be rebutted completely, because we have identified that certain revenue streams such as Covid grant income could be overstated. The Council (as with all other Local Authorities) has been the recipient of significant increased grant revenues during 2021/22 relating to Covid-19. No issues were identified in the testing of a sample of grant income. We have still rebutted this presumed risk for the other revenue streams of the Council because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Wirral Council. However, consistent with the prior year findings, our audit has identified that the Council's needs to strengthen its procedures with regard to debtor management.
ISA 240 improper expenditure recognition risk Practice note 10 (PN10), issued by the FRC, states auditors should also consider that material misstatements may occur by the manipulation of expenditure recognition. 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 we have identified that 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 2020/21 accruals to those of 2021/22 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 2022 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 2022 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. 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. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally for land and buildings, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets and investment property) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings and investment property as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.	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 2022 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 2022. 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 of 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 (£460m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. 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. The Merseyside Pension Fund auditor identified that Level 3 Pooled Investment Vehicles and Equities testing resulted in the assets being understated by £43m as a result of timing differences for when the estimate was made. The Pension Fund has not adjusted for this on the grounds of estimate not being material. Wirral Council's share of the error, at 13.21%, is £5,680k. This is above our triviality, therefore requires reporting to those charged with governance. 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. The Council have amended the accounts for this, and we have completed additional audit work on this. 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 having to issue or enter into complex transactions such as PUT/Call options. These activities have significant potential liabilities for the Council. During the prior year audit, we identified that the Council did not have the necessary understanding of the accounting treatment for these guarantees and recommended that the Council seek 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.	In response to the recommendation raised following the 2020/21 audit, the Council commissioned Arlingclose to undertake a review of the regeneration projects and associated accounting treatments. Our work in this area is still ongoing as we review management's assessment and the proposed accounting treatment to gain a full understanding of the income guarantees and associated impact on the Council's finances.

2. Financial Statements – new issues and risks

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

Issue	Commentary	Auditor view
IT Control deficiencies Inadequate control over privileged/generic accounts within Oracle EBS	It was noted that there were excessive number of users and generic accounts, which were assigned with access to specific security functions. Also, it was noted that there were excessive number of users and generic accounts, with were assigned AZN access. The risk is the excessive use of accounts with privileged access increases the risk of end-users being able to: - change system configuration settings without authorisation and approval; - read and modify sensitive data; - Create, modify or delete user accounts without authorisation; and - delete or disable system audit logs	Management should undertake a review of all user accounts on the Oracle EBS to identify all generic/privileged accounts. For each account identified management should confirm the: - requirement for the account to be active and assigned privileged access; - which users have access; and - controls in place to safeguard the account from misuse. Where possible generic/privileged accounts should be removed and individuals should have their own uniquely identified user accounts created to ensure accountability for actions performed. Alternatively management should implement suitable controls to limit access and monitor the usage of these accounts. Where monitoring is undertaken this should be formally documented and recorded.
Inadequate control over privileged / generic accounts within Oracle EBS Database	We obtained a listing showing the users with access to the Oracle EBS database and noted that there are six generic accounts in use. Further, there are two unix server admin accounts which are used by the DBA team to connect to the database. The risk is that users with administrative privileges at Oracles 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 priviliges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.	As above, management should undertaken a review of all user accounts on the Oracle EBS Database

2. Financial Statements – new issues and risks

Issue	Commentary	Auditor view
Valuation of Infrastructure Assets The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. Wirral Council has material infrastructure assets, at a gross /net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.	Management has performed a review of the infrastructure assets as held in the Council's fixed asset register. A significant balance dates back to pre 2009 where the assets were not componentised. In order to comply with the existing Code requirements, management has made a judgement using the assumption that spend would be similar pre and post 2009 across the categories of infrastructure and applied a weighted average appointment to the 2009 assets in line with the current useful economic lives. Previously no derecognition on infrastructure has taken place with the balances being carried forward on the fixed asset register at gross historic cost. As a result of the review carried out above, management has identified significant balances which have been derecognised, such as for street lighting. This has resulted in a £7.55m derecognition balance being disclosed in Note 14 – Property, Plant and Equipment. Our audit work has not identified any issues in respect of valuation of infrastructure assets.	We have challenged the assumptions made by management in relation to the useful economic lives and determined that these are deemed appropriate. We have reviewed the amendments to Note 14 – Property, Plant and Equipment and are satisfied that these meet the Code requirements, following the update in November 2022 and Statutory Instrument which was approved on 25 December 2022. The changes are not considered to be a Prior Period Adjustment as there was an update to the Code requirements,
IFRS 16 implementation Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2022 (early adoption) then in 2021/22 accounts as a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts	Management has produced an estimate of the impact for the changes in accounting for leases when IFRS 16 implemented using the existing operating leases with outstanding obligations.	We are satisfied that the estimate of the impact meets the requirements of IFRS 16 and that the disclosures within the financial statements meet the requirements of IAS 1.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £491m	Other land and buildings comprises £440m 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 (£51m) 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 2022 on a five yearly cyclical basis as well as all assets over £750k. 88% of total assets were revalued during 2021/22. Management has considered alternative estimates through their discussions with the valuer Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2022 by applying the percentage change identified for individual assets valued 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 £491m, a net increase of £16m from 2020/21 (£475m).	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 the information that was available to them at the valuation date in deriving their estimates. • uplifted assets not-valued in year using Gerald Eve 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

- [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 - £19m	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance 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 valuer to complete the valuation of these properties. The year end valuation (net book value) of the Council's investment property portfolio was £19m, a net decrease of £0.087m from 2020/21.	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 disclosure in the financial statements to confirm that it is appropriate. We challenged the valuer on the market evidence used to support the movement in the valuations. 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. 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 – £573m	The Council's total net pension liability at 31 March 2022 is £573m (PY £532m) 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 £41m net actuarial loss during 2021/22.	See audit comments below.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Audit Comments

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;

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.8%	2.7 – 2.8%	
Pension increase rate	3.5%	3.0 – 3.5%	
Salary growth	4.9%	4.25 – 5.0%	
Life expectancy – Males currently aged 45 / 65	22.4 / 20.9	22.2 – 24.8/ 20.7 - 23.3	
Life expectancy – Females currently aged 45 / 65	25.9 / 24	25.7 – 27.5/ 23.8 – 25.5	

- 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; and
- assessed the adequacy of the disclosure of the 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 - £12m	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 £4.469m for the repayment of debt for the Merseyside Residual Debt Fund. This is offset by the repayments received by the constituent bodies 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 or 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 £7.537m, a net increase of £0.821m from 2020/21.	There has been no change to the method of calculating the MRP in 2021/22. The provision still represents 3% of the Council's overall Capital Financing Requirement of £371.7m and includes the charge for the Merseyside Residual Debt Fund. 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 financing capital assets will fall on future generations of tax-payers. We reported in the 2020/21 Audit Findings Report that the Council was forecasting a rise in its Capital Financing Requirement during 2021/22 of £75m, which would have resulted in an additional £2.821m MRP charge for 2022/23. There has been considerable slippage in the capital programme during the year, leading to a re-profiling of the programme into future years. The increase in the Capital Financing Requirement during 2021/22 was only £9m. Government has consulted 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. Government will issue a full response to the consultation in due course. The Council should continue to consider whether its 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 - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

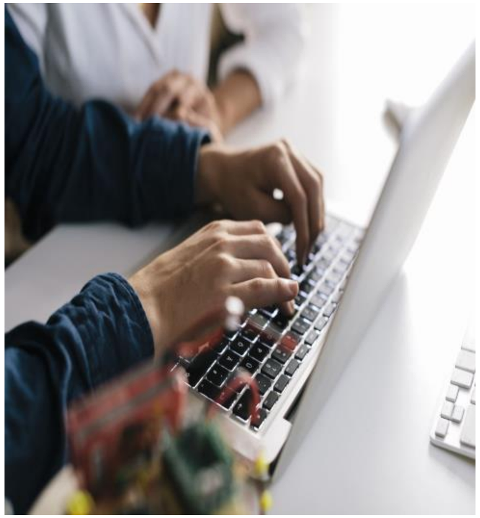
Significant matter	Commentary	Auditor view and management response
Ledger Listings The Council's financial system contains transaction data and related information that is no longer considered appropriate.	We raised this issue in the prior year audit findings report and again for this year have found it considerably difficult to audit the debtors and creditors balances due to historical transactions dating back to 2007 remaining within the year end balances. In a number of instances there is no longer the supporting evidence for this historical transactions given their age as they were brought forward balances from the previous version of the ledger. Our creditors testing identified a number of year end balances which were netted off against debit balances, resulted in a nil year end balance purely because of the way in which the data is presented.	The Council should review the balances held on its balances sheet codes within the general ledger to ensure they are carrying forward the correct balance. It has taken considerable officer and audit team time to obtain and understand the ledger listings in order to be able to gain sufficient assurance over the balances which has an impact from a value for money view as well. As also reported last year this is especially given the fact the Council is moving to the new finance system during 2023/24. Management response We acknowledge the difficulty both parties experience in the ledger listing and the volume of transactions that need to be netted to provide a cleansed balance sheet. Officers continue to work to resolve the issue but due to the volume and age this is an aspect of the audit we will continue to improve upon.

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 appended.

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	All information and explanations requested from management was provided.

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. 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.

2. Financial Statements - other communication requirements

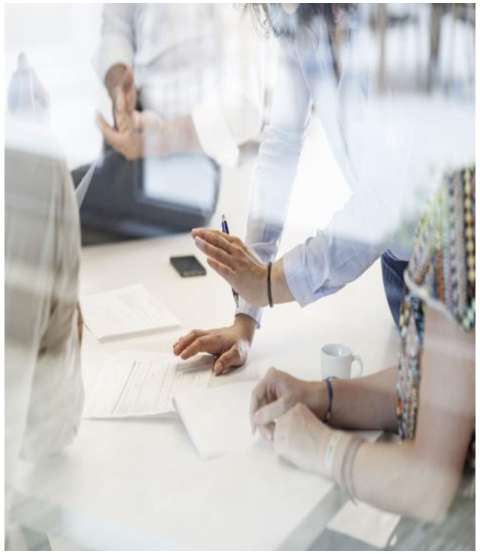
Our responsibility

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	The Council required Exceptional Financial Support from the government in 2020/21 to achieve a balanced position at the year end, with further support required again for 2021/22. The Council required £5.8m of the original conditional offer of £10.7m in order to achieve a balanced position at the end of 2021/22. This need to additional support has arisen not just as a result of Covid-19 but also due to the Council avoiding making difficult financial decisions and using the General Fund reserves to meet unexpected events. This has led to General Fund reserves depleting from 8% of net revenue expenditure in March 2018 to 3% by March 2022. A generally acceptable prudent measure is a minimum of 5% net revenue expenditure to be held in General Fund reserves. The Medium Term Financial Strategy approved by Members of the Council to address the financial challenge requires considerable savings over the medium term and the Council has failed to deliver over 25% of its savings in recent years, resulting in the falling reserves levels. The Council has not requested further Exceptional Financial Support for 2022/23 and has set a balanced budget for 2022/23. As a result of the Council's ability to set a balanced budget in the short term and the assumption under PN10 that statutory services will continue we have concluded that there is no material uncertainty with regard to the Council being a going concern. We, however, have continuing concerns with regard to the Council's financial sustainability and continued action is needed by the Council to resolve its budget gap. These concerns are reflected in our Value For Money conclusions, see page 26. 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 E.
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 except for the significant weaknesses in arrangements to secure value for money in relation to financial sustainability.



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 which was increased for 2020/21 to any of total assets (excluding Property. Plan and Equipment), total liabilities (excluding pensions), total income or total expenditure exceeding £2bn
Certification of the closure of the audit	We intend to issue the certification of the closure of the 2021/22 audit of **Wirral Council** in the audit report.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see appendix E.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
The arrangements in place to ensure the Council manages risks to its financial sustainability. The Council is in a difficult financial position financially and was only able to manage its 2020/21 financial position through the capitalisation of revenue expenditure. For 2021/22 the Council is also reliant on exceptional financial support in the form of a capitalisation directive to achieve a year end balanced budget.	We have held a series of meetings with Senior Officers and Directors within the Council to gain an understanding of the arrangements in place. We have reviewed Council Committees' meetings minutes and the associated reports presented to members as well as directorate level financial reporting information provided during the year and to date.	We acknowledge that there have been improvements made to the Council's financial resilience with the approved 2022/23 balanced budget position not having to be reliant on exceptional financial support. However, for 2021/22, we consider that there was a significant weakness in arrangements in respect of financial sustainability due to the fact the Council required exceptional financial support to achieve a year end positive balance.	Significant weaknesses identified and key recommendations made.

3. VFM - our procedures and conclusions

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
The arrangements in place for Council governance and its ability to make key decisions. The recent Government external assurance review identified weaknesses in the Council's governance. It highlighted that the new committee structure was not operating effectively and that appropriate decision making was being made worse by the regular elections for Council Members. There has been an inability to make key decisions such as the approval of realistic savings plans.	We have held a series of meetings with Senior Officers and Directors within the Council to gain an understanding of the arrangements in place.	We do not consider there to be a risk of significant weakness in arrangements in place for Council governance and the ability to make key decisions.	The Council has, as planned, addressed the significant weaknesses identified in the prior year. We have raised further improvement recommendations

4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

A junior member of the audit team, has a close family member who is an employee of Wirral Council. We have mitigated the confidentiality threat by ensuring that the audit team member does not work on any part of the engagement which involves payroll and all their work is subject to both Manager and Engagement Lead sign off.

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 D.

Transparency

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

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to January 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	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 £229,533 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.
Certification of Housing Benefit Claim	£28,000	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 £28,000 in comparison to the total fee for the audit of £229,533 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.

5. Independence and ethics

Audit and non-audit services

Service	Fees £	Threats identified	Safeguards
Audit related			
CFO Insights Subscription	£12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £229,533 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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

Appendices

A. Action plan – Audit of Financial Statements

The recommendations for the Council raised below are a continuation of those recommendations we raised during the prior year's audit and which have not been implemented fully. We have agreed our recommendations with management and we will continue report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audits and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**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 overstating 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 issue was raised in the previous year's Audit Findings Report	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. **Management response** 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
Medium	**Ledger Balances** The Council's financial system contains transaction data and relating information that is no longer considered appropriate. The Council should review the balances held on its balance sheet codes within the general ledger to ensure 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.	The Council should review the balances held on its balance sheet codes within the general ledger to ensure that they are carrying forward the correct balances. **Management response** This work is done is conjunction with the review of debtor and creditor balances, this work is on-going and will continue post implementation to the new Oracle Fusion ERP system.

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Ongoing	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.
Ongoing	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 which we are in the process of reviewing and assessing.
Ongoing	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 new Oracle Fusion once implemented should resolve this issue.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations not included in 2021/22's Action Plan

We identified the following issues in the audit of Wirral Council's 2020/21 financial statements, which were reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations as disclosed in the following table.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Business Rate Appeals As a result in the change of the business rate appeals process, the number of cases reaching the appeals stage has dramatically reduced. However, at present the Council has only set aside a relatively small provision against future appeals (which indicates that the Council does not anticipate any successful appeals for the period 2018/19, 2019/20, and 2020/21). This is a different approach to most councils.	Management has used Analyse Local as management's expert to support the estimate for the provision and contingent liability in relation to business rates appeals. We are satisfied that the methodology for the estimate is deemed appropriate.
✓	**Oracle system configuration access grant to an excessive number of users, including non-IT staff / end users.** During our audit we observed that 53 users have the necessary access rights to change system configurations such as the number of concurrent managers, cross validation rules, profile options (including password parameters), profile system values and key flex fields. The risk is that assigning excessive privileged access roles to more users than required increases the risk that system-enforced internal control mechanisms could be by-passed resulting in users being able to: • Make unauthorised change to system configuration parameters. • Create unauthorised accounts. • Make unauthorised updates to use account privileges. This issue was also raised in the prior year audit findings.	The new ERP system Oracle Fusion is being implemented and will be live from April 2023, and a part of the implementation a review of roles is taking place. Due to the timeframe between the findings and the implementation of the new system we propose no action will be taken in the existing Oracle system.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Inappropriate segregation of duties as developers have access to the production environment within Oracle We have noted that 2 out of 12 users with system administrator rights had also been granted the application developer role in both the development and production environments; which has created a segregation of duties issue. It is appreciated that with a small IT team, it is difficult to prevent having a segregation of duties issue. The risk that inappropriate or unauthorised changes could be implemented, adversely impacting the integrity and security of the underlying data or functionality of Oracle. This issues was also raised in the prior year audit findings	The role of Application Developer has been removed from the two accounts identified in this year's review.

Assessment

✓ Action completed

X Not yet addressed

C. 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.

We acknowledge that a number of these adjustments were identified by officers during the period between the draft publication and the audit commencing and this time allowed officers to further review the workings at a more in depth level.

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 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
The Council hosts the CHAMPS Public Health Collaboration on behalf of the 9 collective Cheshire and Merseyside Local Authorities. Wirral Council should only recognise 1/9 share within its income and expenditure account and Reserves. The unspent income has been transferred to creditors.	(6,273)	Cr Reserves 6,273 Dr Creditors (6,273)	(6,273).
Unspent grant had been included in the reserves, however the grant conditions included a repayment condition, therefore should have been treated as a grants received in advance.	(871)	Cr Reserves 871 Dr Creditors (871)	(871).
A housing loan was incorrectly included within long term debtors when should have been debited to capital grants unapplied	(510)	Cr Long term Debtors 510 Dr Capital grants unapplied (510)	(510)
Community Safety funding incorrectly included within Reserves has been moved to creditors	(605)	Cr Reserves (605) Dr Creditors 605	(605)
Overall impact	**£8,291**	**£8,291**	**£8,291**

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Comprehensive Income and Expenditure Statement – restatement of prior year comparator and Note 46 Restatement of 2020/21.	The prior year comparatives have been restated due to amendments for internal recharges. There is no impact on the net position, with reductions to the gross income and expenditure only. Note 46 – Restatement of 2020/21 has also been amended to reflect these adjustments.	✓
Cash Flow Statement and related notes	The published draft Cash flow Statement did not include all the creditors and debtors movements as well as other non-cash movements in the Surplus/Deficit on Provision of Services within Operating Activities. The disclosures have been amended for in the final version of the financial statements.	✓
Schools capital expenditure	The published draft financial statements included some capital expenditure and income within the Childrens, Families and Education directorate as disclosed within the cost of services which related to the Schools Capital Fund. The relevant statements and notes have been amended to reflect the capital expenditure totalling £1.175m being matched to the income.	✓
Note 14 – Property, Plan & Equipment Infrastructure Assets	The Infrastructure Assets figures have been amended to disclose the net values separately in order to meet the revised Code requirements.	✓
Note 14 – Capital Commitments	The capital commitments disclosure included projects within the capital programme that did not have contractual obligations as at 31 March 2022. The balance has been reduced from £55m to £42.8m	✓
Note 18 – Financial Instruments	The Creditors financial and non-financial instruments balances disclosures has been amended to include long term creditors.	✓
Note 33 – Officers' Remuneration	Amendments to the disclosures to stated that the Chief Executive's remuneration includes an allowance for acting as Returning Officer during the year.	✓
Note 39 - Leases	The Note has been amended to include the leases to Canada Life which commenced during 2021/22	✓

C. Audit Adjustments

Misclassification and disclosure changes - continued

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 omission	Auditor recommendations	Adjusted?
Note 43 – Trust Funds	The Note has been amended to remove EF Callister from the disclosure as the trust has been transferred.	✓
Note 44 – Contingent Liabilities	The Note has been amended to disclose the contingent liability for employee claims	✓
Note 45 – Nature and Extent of Risks Arsing from Financial Instruments	The disclosures have been amended to include additional narrative in respect of credit risk on shareholdings and pooled funds.	✓
Note 46 – Restatement of 2020/21	The Note has been amended to correctly disclose Covid-19 and Corporate income and expenditure during 2020/21.	✓
Note 6 Post Balance Sheet Events	The Note has been amended to include additional narrative in respect of the valuation of the Council's Assets.	✓

D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£229,533	£229,533
Total audit fees (excluding VAT)	£229,533	£229,533

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services e.g. Grant Claims	£35,000	£TBC
Other – CFO insights	£12,500	£12,500
Total non-audit fees (excluding VAT)	**£47,500**	**£TBC**

E. 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 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow, 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 2021/22.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the Authority as at 31 March 2022 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 2021/22; 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 2021/22 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 2020) 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.

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.

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.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

E. Audit opinion

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in 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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

As explained in the Statement of Responsibilities [set out on page 35], 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 2021/22, 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 there is an intention by government that the services provided by the Authority will no longer be provided.

E. Audit opinion

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

- We enquired of senior officers 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 senior officers 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 officers' 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 the Chief Finance Officer 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 pensions liability valuations; and
  - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statements item.

E. Audit opinion

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the 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.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework .

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 2022.

Final wording to be confirmed

Responsibilities of the Authority

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

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

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

E. Audit opinion

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. 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 have documented 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 have considered 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 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

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Use of our report

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

Signature:

Sarah Ironmonger, Key Audit Partner

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

Manchester

Date:

F. 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 Sirs

Wirral Council

Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Wirral Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 2021/22 ("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 liability. 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.

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.

F. Management Letter of Representation

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. The prior period adjustments disclosed in Note 46 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. 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

xvi. 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

xviii. 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.

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

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

xx. 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.

xxi. 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

xxii. 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.

xxiii. 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.

xxiv. 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.

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

F. Management Letter of Representation

Annual Governance Statement

xxvi. 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

xxvii. 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 24 October 2023.

Yours faithfully

Name

Position

Date

Grant Thornton

grantthornton.co.uk