

The Audit Findings for East Staffordshire Borough Council

Year ended 31 March 2022

8 February 2024



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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 Committee.

Andrew Smith

Name : Andrew Smith

For Grant Thornton UK LLP

Date : 8 February 2024

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

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

Our audit work has been completed remotely between July 2022 and January 2024. Our findings are summarised on pages 6 to 25. We have identified ten adjustments to the financial statements that have resulted in a £2.4m net adjustment to the Council's Comprehensive Income and Expenditure Statement. These adjustments primarily relate to asset valuations, and therefore don't impact the Council's useable reserves. Audit adjustments are detailed in Appendix B.

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

- receipt of required assurances from the auditor of the Staffordshire Pension Fund in respect of the triennial valuation of the Local Government Pension Scheme as at 31 March 2022;
- final engagement lead file review;
- receipt of management representation letter (see item b); and
- review of the final set of financial statements.

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

Our anticipated audit report opinion will be unmodified. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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

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

We have completed our VFM work, which is summarised on page 27, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

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

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

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

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

We encountered significant difficulties in our audit of the plant, property and equipment and investment property. The Council's valuer was unable to evidence the valuation basis for some assets, and a replacement valuer was appointed to value these assets. This is detailed in Section 2 of our report.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \[grantthornton.co.uk\]](#)

We would like to thank everyone at the Council for their support in working constructively with us to obtain verifiable asset valuations which have allowed us to progress towards completion of the audit.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The Council's borrowing levels have historically been low, with capital receipts and capital grants used to fund new assets. The Council's investment property portfolio is well established and has not been funded by borrowing.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 8 February 2024, as detailed in item a. These outstanding items include:

- receipt of required assurances from the auditor of the Staffordshire Pension Fund in respect of the triennial valuation of the Local Government Pension Scheme as at 31 March 2022;
- receipt of management representation letter (see item b); and
- review of the final set of financial statements.

Acknowledgements

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

As highlighted on page 22 of this report, during the course of the audit we faced challenges for our audit of plant, property and equipment and investment property which resulted in significant additional audit work being performed in order to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements. Following the publication of the 2022 triennial valuation of the local government pension scheme, we also needed to perform additional procedures to obtain assurance over the pension fund liability. The impact of this additional work is summarised on page 36.

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.

We have revised the performance materiality due to the actual gross expenditure changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

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

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,000,000	Financial performance of the Authority focused on the cost of service provision
Performance materiality	750,000	Quality of working papers and Authority response to audit processes in prior years
Trivial matters	50,000	The amount below which matters would be considered trivial to the readers of the accounts
Materiality for senior officer disclosures	9,500	Materiality has been reduced for remuneration disclosures due to their sensitive nature and public interest



2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> • 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 judgments 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 <p>We did not identify any changes in accounting policies or estimation processes.</p> <p>We have not identified any issues in respect of management override of controls.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p data-bbox="116 435 629 499">Presumed risk of fraud in revenue recognition ISA (UK) 240</p> <p data-bbox="116 515 689 595">Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p data-bbox="116 611 618 724">This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to improper recognition.</p>	<p data-bbox="714 435 1944 459">In our audit plan, we assessed that the risk of misstatement due to fraud relating to improper recognition of revenue.</p> <p data-bbox="714 475 2069 528">We have reconsidered our assessment in light of our audit findings, and concluded that there is no change to our assessment of this risk.</p>
<p data-bbox="116 759 651 823">Risk of fraud related to expenditure recognition PAF Practice Note 10</p> <p data-bbox="116 839 696 1007">In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p data-bbox="116 1023 685 1161">As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p>	<p data-bbox="714 759 1984 783">In our audit plan, we assessed that the risk of misstatement due to fraud relating to improper recognition of expenditure.</p> <p data-bbox="714 799 2069 852">We have reconsidered our assessment in light of our audit findings, and concluded that there is no change to our assessment of this risk.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p>Valuation of land and buildings, surplus assets and investment properties</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for calculation of the estimates, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation experts; discussed with the external valuers, the basis on which the valuations were carried out to ensure that the requirements of the Code are met; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; specifically reviewed and challenged assumptions around asset values based on income generation, such as Council car parks; specifically reviewed and challenged assumptions around asset values based on rental yields, such as investment properties; specifically reviewed and challenged assumptions made in estimating potential changes in value of assets not subject to revaluation in year; evaluated the categorisation of assets classified as surplus; and tested revaluations made during the year to see if they had been input correctly into the Council's asset register.
<p>Land & Buildings: £44.9m at 31 March 2022 (£39.3m at 31 March 2021 (restated))</p>	<p>Pages 15-17 provide a detailed assessment of the estimation process for the valuation of land and buildings, surplus assets and investment properties.</p>
<p>Surplus Assets: £1.3m at 31 March 2022 (£1.3m at 31 March 2021)</p>	<p><u>Land and Buildings:</u></p>
<p>Investment Properties: £11.0m at 31 March 2022 (£10.6m at 31 March 2021)</p>	<p>We identified calculation errors in the valuations provided by the external valuer for car parks and the Market Hall, which resulted in the net overstatement of the value of land and buildings by £1.4m. This has been adjusted by management – see Appendix B.</p>
<p>The Council usually revalues its other land and buildings on a rolling five-yearly basis, and revalues its surplus and investment properties annually.</p>	<p>The Council's valuer was unable to satisfactorily respond to our challenge questions in relation to three of the Council's assets which had not been revalued in year. In response, management appointed a new valuer, and the new valuations have resulted in an increase to the estimated values of the Brewhouse Arts Centre (increase of £9.8m), Shobnall Leisure Complex (increase of £4.4m), and Uttoxeter Leisure Centre (increase of £4.8m). These values have been adjusted by management – see Appendix B. Based on new information obtained during the audit of these assets, management determined that there was a material error in the prior year valuations of two of these assets due to the use of build costs significantly different from data published by RICS and due to material asset components being omitted from the estimated valuation. These errors have been corrected through a prior period adjustment to correct the comparative values in the balance sheet (see Appendix B). The total adjustment to the balance sheet as at 31 March 2021 was £13.2m.</p>
<p>These valuations represent a significant estimate by management in the financial statements due to the size of the values involved and judgement required to estimate values. The valuation also depends on the completeness and accuracy of the source data (such as floor areas and rental income) and subjective inputs (such as obsolescence factors and rental yields). Additionally, management will need to ensure the carrying value in the financial statements of any assets not revalued in year is not materially different from the current value or fair value (for investment assets) at the financial statements date.</p>	<p><u>Surplus assets:</u></p> <p>We have obtained sufficient appropriate evidence that surplus asset values are materially accurate.</p>
<p>We have therefore identified valuation of land and buildings, surplus assets and investment properties as a significant risk.</p>	<p><u>Investment Properties:</u></p> <p>We identified a calculation error in the external valuer's valuation of one investment property asset which resulted in the overstatement of investment property by £0.119m. This has been adjusted by management – see Appendix B.</p>
<p></p>	<p>The Council's valuer was unable to satisfactorily respond to our challenge questions in relation to one investment property asset. In response, management appointed a new valuer, and the new valuation resulted in an increase to the estimated value of the asset by £0.164m. This has been adjusted by management – see Appendix B.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

£42.3m at 31 March 2022 (£58.3m at 31 March 2021)

The Council's pension fund net liability, as reflected in its balance sheet as the net pension 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 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. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in either of these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liabilities are not materially misstated, and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities, and objectivity of the actuary who carried out the Council's pension fund valuations;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consultancy actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Staffordshire 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.

Page 14 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability.

Following the publication of the 2022 triennial valuation of the Staffordshire Pension Fund in March 2023, management obtained a revised actuarial valuation of the pension fund net liability as at 31 March 2022 which incorporated the results of the triennial revaluation. The updated estimated net liability reduced by £1.9m and has been adjusted by management as a post balance sheet event – see Appendix B.

As a result of the triennial revaluation, we require additional assurances from the auditor of the Staffordshire Pension Fund with regards to the data submitted to the actuary by the pension fund. At the time of writing, we have not yet received this information from the pension fund auditor.

Subject to the receipt of these assurances, our work has not identified any issues in the valuation of the pension fund net liability.

2. Financial Statements - Other risks

Other Risks identified in our Audit Plan

Commentary

Design of controls over operating expenditure and trade creditors

As part of our planning procedures, we documented the business processes relating to significant classes of transactions and balances. We also performed walkthrough procedures with the aim of confirming the design of the documented controls, for significant risk areas – revaluation of other land and buildings, surplus assets and investment properties, and the valuation of the pension fund net liability – and for operating expenditure / trade creditors.

However, our walkthrough testing of the operating expenditure & trade creditors process did not confirm the implementation of one expected control (the budget holder check of goods/services receipt prior to authorisation of invoice payment) and therefore we are unable to place reliance on the design effectiveness of this control.

We have performed substantive testing of operating expenditure transactions and trade creditor balances, and took into account the results of our walkthrough procedures when determining our sample sizes.

We did not identify any misstatements in operating expenditure or trade creditors from our substantive testing.

Super-user access to Agresso

During our planning procedures, we identified that a member of the finance team has super-user access to the Agresso financial system.

This means that there is an increased opportunity for management override of controls.

We have tested all journals which were initiated by the Agresso super-user within the finance team.

Our audit work did not identify any issues in respect of management override of controls relating to super-user access to the Agresso finance system.

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
<p>Valuation of Infrastructure Assets</p> <p>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. The Council's has material infrastructure assets, at a gross and net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.</p>	<p>We have assessed the risk of material misstatement of infrastructure balances as low.</p> <p>We have made enquiries of management to understand the accounting treatment in use at the Authority. Based on our enquiries, the Council does comply with the requirements of the Code.</p> <p>Further to this, we have tested a sample of infrastructure assets to confirm that assets existed at the balance sheet date and have been depreciated appropriately over the asset life.</p>	<p>Our audit work has not identified any issues in respect of valuation of infrastructure assets.</p>

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<p>Net pension fund liability: £42.3m</p>	<p>The Council's net pension liability at 31 March 2022 is £42.3m (PY £58.3m), comprising the Staffordshire Pension Fund within the Local Government Pension Scheme and unfunded defined benefit pension scheme obligations.</p> <p>The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022 and management have obtained a revised actuarial valuation of the scheme based on the results of the full actuarial valuation.</p> <p>Management have disclosed the estimation uncertainty relating to the valuation of net pension fund liabilities within the financial statements. The key uncertainties concern the impact of assumptions underpinning the estimate, such as discount rate, salary increase rate, changes to retirement dates, mortality rates and expected returns on pension assets.</p> <p>There has been a £16m net actuarial gain during 2021/22.</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed management's expert for competence, capability and objectivity assessed the actuary's approach taken, to confirm reasonableness of approach used PwC as an auditor's expert to assess the actuary and assumptions made by the actuary <table border="1" data-bbox="857 671 1883 1018"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.7%</td> <td>2.7 - 2.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.15 - 3.30%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.7%</td> <td>3.7 - 5.7%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>22.2 years / 21.4 years</td> <td>21.4 – 24.3 years / 20.1 – 22.7 years</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>25.7 years / 24.3 years</td> <td>24.8 – 26.7 years / 22.9 – 24.9 years</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> tested the completeness and accuracy of the underlying information used to determine the estimate; considered any changes to valuation method and their impact; Assessed the reasonableness of the Council's share of LGPS pension assets; assessed the reasonableness of the movements of the estimated liabilities based on all available evidence; and considered the adequacy of disclosure of estimate in the financial statements. <p>As noted on page 11, our work on pension liabilities is ongoing, pending receipt of assurances from the auditor of Staffordshire Pension Fund in relation to the triennial valuation of the pension scheme.</p> <p>The work performed to date does not indicate any lack of robustness in management's process for producing this estimate.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.7%	2.7 - 2.75%	●	Pension increase rate	3.2%	3.15 - 3.30%	●	Salary growth	3.7%	3.7 - 5.7%	●	Life expectancy – Males currently aged 45/65	22.2 years / 21.4 years	21.4 – 24.3 years / 20.1 – 22.7 years	●	Life expectancy – Females currently aged 45/65	25.7 years / 24.3 years	24.8 – 26.7 years / 22.9 – 24.9 years	●	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary Value	PwC range	Assessment																								
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>PPE valuations</p> <p>Land & Buildings: £44.9m</p> <p>Surplus Assets: £1.3m</p>	<p><u>Land & Buildings:</u></p> <p>Other land and buildings comprises specialised assets such as leisure centres and civic buildings, 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, such as car parks, are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council initially engaged Goodwins Surveyors to complete the valuation of properties as at 31 March 2022 (with one property valued as at 31 December 2021).</p> <p>24% of the Council's assets were revalued by Goodwins Surveyors during 2021/22. All assets which were not within the valuation programme for the financial year were subject to a desktop review performed by management's external valuation expert. The valuer's desktop review did not indicate that there were any material change in the total value of these assets. However, the valuer was unable to provide satisfactory responses to our challenges in respect of three (of five) assets of material value which had not been revalued at the balance sheet date.</p> <p>In response, management appointed a new valuer (Wilks Head & Eve LLP) to reperform valuations for three assets where there was insufficient evidence to support the valuation from Goodwins Surveyors. The revised valuations resulted in increases to the estimated values of the Brewhouse Arts Centre , Shobnall Leisure Complex and Uttoxeter Leisure Centre due to differing inputs for floor area, build cost and obsolescence.</p>	<p>For the assets valued by Goodwins Surveyors, Wilks Head & Eve LLP and Salloway Property Consultants, we have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for calculation of the estimates, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation experts; discussed with the valuers the basis on which the valuation was carried out to ensure that the requirements of the Code are met; tested the completeness and accuracy of the underlying information used to determine the estimate; assessed the appropriateness of any alternative site assumptions; challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding and against the data from the Gerald Eve report; specifically reviewed and challenged assumptions around asset values based on income generation, such as Council car parks; considered the impact of any changes to valuation method; specifically reviewed and challenged assumptions made in estimating potential changes in value of assets not subject to revaluation in year; considered the overall reasonableness of the increase in estimated values; evaluated the categorisation of assets classified as surplus; 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>PPE valuations</p> <p>Land & Buildings: £44.9m</p> <p>Surplus Assets: £1.3m</p> <p><i>Continued...</i></p>	<p>Based on new information obtained during the audit of these assets, management determined that there was a material error in the prior year valuation the Brewhouse Arts Centre (due to the use of build costs significantly different from data published by RICS) and for the Shobnall Leisure Complex (due to the omission of material components from the valuation calculation).</p> <p>The total year end valuation of land and buildings is £44.9m, a net increase of £5.7m from 2020/21 (£39.3m restated).</p> <p>Management have disclosed the estimation uncertainty relating to the valuation of land and buildings within the financial statements. The key uncertainties concern the impact of the Covid-19 pandemic on the value of cash generating assets such as car parks.</p> <p><u>Surplus Assets:</u></p> <p>Surplus assets of £1.3m are required to be valued at existing use in value (EUV) at year end. The Council engaged two external experts, Goodwins Surveyors and Salloway Property Consultants, to complete the valuation of properties as at 31 March 2022. All surplus assets were revalued during 2021/22.</p> <p>The total year end valuation of surplus assets was £1.3m, no change from 2020/21 (£1.3m).</p>	<ul style="list-style-type: none"> reviewed the adequacy of disclosure of estimates in the financial statements; and tested revaluations made during the year to see if they had been input correctly into the Council's asset register. <p>We identified calculation errors in the valuations provided by the external valuer for car parks and the Market Hall, which resulted in the net overstatement of the value of land and buildings by £1.4m. This has been adjusted by management – see Appendix B.</p> <p>The revised valuations for three of the material assets initially not revalued resulted in an increase to the estimated asset values by £19.1m This has been adjusted by management – see Appendix B.</p> <p>The prior period errors in asset valuations have been corrected through a prior period adjustment to correct the comparative values in the balance sheet (see Appendix B). The total adjustment to the balance sheet as at 31 March 2021 was £13.2m.</p> <p>We have obtained sufficient appropriate evidence that surplus asset values are materially accurate.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation: £11.0m	<p>The Council initially engaged two external experts, Goodwins Surveyors and Salloway Property Consultants, to complete the valuation of investment properties as at 31 December 2021 (with one property valued as at 31 March 2022). All assets were revalued during 2021/22.</p> <p>However, the valuer was unable to provide satisfactory responses to our challenges in respect of one investment property asset. In response, management appointed a new valuer (Wilks Head & Eve LLP) to reperform the valuation as at 31 March 2022. The revised valuations resulted in an increased estimated value for land at Vancouver Drive, based on alternative market value assumptions.</p> <p>Management have disclosed the estimation uncertainty relating to the valuation of investment properties within the financial statements. The key uncertainties concern the impact of changes in unobservable inputs such as rents, vacancy levels and discounts on the valuation of investment properties.</p> <p>The total year end valuation of investment property was £11.0m, a net increase of £0.4m from 2020/21 (£10.6m).</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for 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 experts discussed with the valuers the basis on which the valuation was carried out to ensure that the requirements of the Code are met challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding challenged assumptions made concerning rental yields and market comparatives; tested the completeness, accuracy and appropriateness of the underlying information used to determine the estimates; considered the overall reasonableness of the increase in estimated values tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and considered the adequacy of disclosure of the estimate in the financial statements. <p>We identified a calculation error in the external valuer's valuation of one investment property asset which resulted in the overstatement of investment property by £0.119m. This has been adjusted by management – see Appendix B.</p> <p>The revised valuation for the land at Vancouver Drive indicated that the asset value was understated by £0.164m. This has been adjusted by management – see Appendix B.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £1.9m	<p>The Council is responsible for repaying a proportion of successful rateable value appeals. Management's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.</p> <p>Due to a reduction in outstanding appeals, the provision has decreased by £0.6m in 2021/22.</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed the impact of the cost-of-living crisis on the collection of debt and adequacy of provisions reviewed the appropriateness of the underlying information used to determine the estimate reperformed calculations to confirm accuracy and completeness considered the impact of any changes to valuation method checked the consistency of estimate against industry practice confirmed the reasonableness of decrease in estimate against wider sector knowledge considered the adequacy of disclosure of estimate in the financial statements <p>We are satisfied that management's process for producing this estimate is robust.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation - £51m	<p>The Council received grant funding in 2021/22 amounting to £51m in total.</p> <p>For grant streams amounting to £8m, the Council's judgement is that it is acting as an agent on behalf of central government and these grants have not been recognised as income but are disclosed in the financial statements. The related cash and creditor balances have been recognised in the balance sheet.</p> <p>For grant streams amounting to £35m, the Council has determined that it is acting as a principal and therefore these have been credited to the Comprehensive Income and Expenditure Statement.</p> <p>In addition, the Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balance of these grants received in advance was £8m as at 31 March 2022.</p>	<p>We have:</p> <ul style="list-style-type: none"> considered whether the Council is acting as the principal or agent which would determine whether the Council recognises the grant at all, including testing of the completeness and accuracy of the underlying information used to make the determination tested the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income tested for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES considered the adequacy of disclosure of judgement in the financial statements <p>We are satisfied that management's process for classification of grant income streams is robust.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £0.5m	<p>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.</p> <p>The year end MRP charge was £0.5m, a net decrease of £0.1m from 2020/21.</p>	<p>We have:</p> <ul style="list-style-type: none"> considered whether the MRP has been calculated in line with the statutory guidance assessed whether the Council's policy on MRP complies with statutory guidance. assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council considered the overall reasonableness of the increase/decrease in MRP charge <p>Government have 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.</p> <p>We are satisfied that management's process for producing this estimate is robust.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

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
Prior year adjustments identified – other land and buildings	We discussed the details of the revised valuations provided by the new valuer with management, with particular focus on whether the new valuations were indicative of prior year errors.	<p>Auditor view</p> <ul style="list-style-type: none"> We concluded that the new information obtained from the new valuer did indicate that there were error in prior year valuations. <p>Management response</p> <ul style="list-style-type: none"> Management recognised the need for a prior period adjustment to correct material understatement of other land and buildings in prior years.

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit Committee papers (paper 2b). Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for valuation of land and buildings, surplus assets and investment properties, and the valuation of the pension fund net liability, as well as in respect of the prior period adjustment which corrects prior year errors in land and buildings within plant, property and equipment.
Confirmation requests from third parties	We requested from management permission to send bank and investment confirmation requests. This permission was granted, and the requests were sent. All 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 were provided. We encountered significant difficulties in our audit of the plant, property and equipment and investment property. The Council's valuer was unable to evidence the valuation basis for some assets, and a replacement valuer was appointed to value these assets.

2. Financial Statements: other communication requirements



Our responsibility

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

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

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect (refer to item a).</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to report on these matters.</p>



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>The Council does not exceed the group reporting threshold therefore no additional audit procedures are required.</p>
Certification of the closure of the audit	We intend to certify the closure of the 2021/22 audit of the Council in the audit report, as detailed in item a.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2021/22

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the Audit Committee in June 2023.

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 are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
<p>We identified a risk of significant weakness in the Council's arrangements for monitoring and assessing risk.</p> <p>In our 2020/21 Auditor's Annual Report, we included an improvement recommendation in relation to risk reporting. However, no changes have been made to the Council's arrangements. Furthermore, our analysis of the Corporate Risk Registers published for 2021/22 has highlighted additional factors which indicate that there is a risk of significant weakness in this area.</p>	<ul style="list-style-type: none"> Review of risk registers tabled to Cabinet in 2021/22 Discussion with s151 Officer pertaining to planned changes in risk management and reporting arrangements Review of draft Risk Management Policy and pro forma risk register templates 	<p>Risk reporting has not yet been updated, although a revised Risk Management Policy is in development which appears set to address our recommendations for improvements.</p> <p>We do not consider this to be an area of significant weakness.</p>	<p>The Council has taken positive steps to improve risk reporting, but we recommend that further enhancements such as using a risk-consequence-cause approach to defining risks, ensuring that action and risk treatments are SMART (specific, measurable, achievable, realistic and timely) and showing the direction of travel for each risk, would be beneficial.</p>
<p>We identified a risk of significant weakness in the Council's arrangements for informed decision-making.</p> <p>The outcome of the Corporate Peer Challenge process, which the Council undertook in late 2021, included a range of recommended actions to increase effectiveness of collaboration between officers and members, and to support appropriate scrutiny by members.</p>	<ul style="list-style-type: none"> Interviews with Officers and Members of the Council involved in decision making and scrutiny of decisions Review of the LGA Corporate Peer Review and Follow Up reports Review of minutes and papers relevant to key decisions taken by the Council, such as the Towns Fund programme 	<p>The Council has learnt lessons from the LGA Corporate Peer Review process, and through the process for decision-making around the Towns Fund programme, which should help to improve the quality of decision-making in the future.</p> <p>No inappropriate decisions were identified from our work and we conclude that there is no significant weakness in arrangements.</p>	<p>We have no recommendations to make to the Council.</p>

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix C.

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 audit-related services were identified, 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 Housing Benefit Claim	18,000	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £18,000 in comparison to the total fee for the audit of £85,376 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. 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.

No other non-audit services were identified.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council, senior management or staff.

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

Appendices

- A. Communication of audit matters to those charged with governance
- B. Audit Adjustments
- C. Fees and non-audit services

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Plant, Property and Equipment		(13,245)		
Surplus on revaluation of non-current assets	13,245		13,245	nil
<i>Relating to the 2021/22 adjustment in respect of the correction of prior period errors in the valuation of two assets within other land and buildings</i>				
Plant, Property and Equipment		9,824		
Surplus on revaluation of non-current assets	(9,824)		(9,824)	nil
<i>To reflect the revised valuation of the Brewhouse Arts Centre</i>				
Plant, Property and Equipment		4,798		
Surplus on revaluation of non-current assets	(4,798)		(4,798)	nil
<i>To reflect the revised valuation of Uttoxeter Leisure Centre</i>				
Plant, Property and Equipment		4,432		
Surplus on revaluation of non-current assets	(4,432)		(4,432)	nil
<i>To reflect the revised valuation of Shobnall Leisure Complex</i>				
Pension liability		(1,946)		
Remeasurement of the net defined pension liability	1,946		1,946	nil
<i>To reflect the impact of the 2022 triennial valuation of the pension scheme</i>				
Subtotal	(5,809)	5,809	(5,809)	nil

B. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Plant, Property and Equipment		(1,853)		
Surplus on revaluation of non-current assets	1,853		1,853	nil
<i>For a calculation error in the valuation of a car park resulting in an overstatement of asset value</i>				
Plant, Property and Equipment		447		
Surplus on revaluation of non-current assets	(447)		(447)	
<i>For a calculation error in the valuation report for the Market Hall resulting in an understatement of the asset value</i>				nil
Investment Property		164		
Surplus on revaluation of investment property	(164)		(164)	nil
<i>To reflect the revised valuation of land at Vancouver Drive</i>				
Investment Property		(119)	119	
Surplus on revaluation of investment property	119			
<i>For a calculation error in the revaluation for an investment property resulting in an overstatement of the asset value</i>				nil
Fees and Charges Income	118		118	
Short Term Debtors		(118)		
<i>For property rental income recognised in 2021/22 but relating to 2022/23. The factual error identified in our testing was £76,000. Management identified a further £42,000 of affected balances.</i>				(118)
Subtotal	3,425	(3,425)	3,425	(118)
Overall impact	(2,384)	2,384	(2,384)	(118)

B. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p>Depreciation disclosures - Note 1.19 Accounting Policies and Note 13 Plant Property and Equipment</p> <p>The Council's policy is to begin depreciating assets from the year after acquisition. This was not reflected in the Accounting Policies disclosures in Note 1.19.</p> <p>The range for the useful expected lives of Other Vehicles, Plant and Equipment assets was stated in Note 13 as between 2 and 10 years, but we identified an asset in this category which had an expected useful life of 50 years.</p>	<p>Disclosures relating to depreciation should be updated to fully reflect the Council's policies.</p>	✓
<p>Note 2 Critical judgements in applying accounting policies</p> <p>This note includes a disclosure relating to critical judgements in determining the risk to the Council in its role as guarantor for the pension risks associated with former employees who transferred to the leisure provider in 2019.</p> <p>We do not consider this to be a critical judgement, as the risk has been assessed as low and quantified as being no more than £0.2m.</p>	<p>We would recommend removing this disclosure in order to avoid overstating the significance of this judgement to users of the accounts.</p> <p>Management response</p> <p>Management are satisfied that this is an appropriate disclosure.</p>	x
<p>Note 3 Assumptions made about the future and other sources of estimation uncertainty</p> <p>This note includes a disclosure relating to uncertainties in the impairment allowance for doubtful debt.</p> <p>We do not consider this to be a source of material estimation uncertainty, as the uncertainty is quantified at £0.3m.</p>	<p>We would recommend removing this disclosure in order to avoid overstating the significance of this uncertainty to users of the accounts.</p> <p>Management response</p> <p>Management are satisfied that this is an appropriate disclosure.</p>	x
<p>Note 35 External audit services</p> <p>The fees for the audit of the financial statements and certification of grants in 2021/22 and 2020/21 do not correspond with the proposed / final fees agreed with management.</p>	<p>We recommend that the disclosure should be amended so that the proposed and actual fees for audit are in line with those agreed with management.</p> <p>Management response</p> <p>Management are satisfied that this is an appropriate disclosure.</p>	x
<p>Note 47 Prior Period Restatement</p> <p>Note 47 was added to the draft financial statements following the identification of errors in the valuation of two land and building assets in the prior year.</p>	<p>Due to the restatement of the balance sheets for 2019/20 and 2020/21, IAS 8 requires disclosure of the nature of the prior period error being corrected and the amount of the correction.</p>	✓

In addition, a small number of minor changes have been agreed with management in relation to disclosures in the financial statements and other information to improve accuracy, clarity and understandability. The final set of accounts remains subject to review ahead of closure of the audit.

B. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Plant, Property and Equipment		159			Not material
Depreciation	(159)		(159)	nil	
<i>To reflect the impact of extending asset lives beyond that used to estimate depreciation</i>					
Plant, Property and Equipment		65			Not material
Surplus on revaluation of non-current assets	(65)		(65)	nil	
<i>To correct the omission of the Market Hall car park from the balance sheet</i>					
Overall impact	(224)	224	(224)	nil	

Impact of prior year misstatements

The impact of prior year misstatements has been corrected during 2021/22.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Plant, Property and Equipment			13,245	
Surplus on revaluation of non-current assets	(13,245)			(13,245)
<i>Relating to the correction of prior period errors in the valuation of two assets within otherland and buildings</i>				

C. Fees and non-audit services

We confirm below our final fees charged for the audit confirm there were no fees for the provision of non-audit services.

Audit fees	Proposed fee	Final fee
Scale fee	37,615	40,615
Raising the bar / regulatory factors	2,500	3,125
Value for Money audit – new NAO requirements	9,000	9,000
Value for Money audit – significant risk work on governance arrangements	2,500	Nil
Increased audit requirements of revised IASs (ISA 240, 540 & 700)	6,500	2,100
Enhanced audit procedures for PPE and pensions	3,540	2,501
Other – additional time required due to home working of client team	2,500	2,500
Other – additional testing of operating expenditure and trade creditors due to control implementation failure identified during planning	3,600	3,250
Additional journals testing for super user access	TBC	2,760
Other – additional work on pension liability following revised actuarial report due to completion of 2022 triennial valuation prior to completion of the audit	nil	6,000
Other – additional work on PPE following change in valuers and related prior period adjustment	nil	12,525
Use of expert – PPE valuations	nil	1,000
Total audit fees (excluding VAT)	£61,715	£85,376

C. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Housing Benefit Subsidy Claim	£18,000	£18,000
Total non-audit fees (excluding VAT)	£18,000	£18,000

The fees reconcile to the financial statements as follows:

	Audit fee	Certification of Housing Benefit Subsidy claim
Fee per financial statements	£62,000	£16,000
Fee per pages 36 & 37	£85,376	£18,000
Difference	£22,000	£2,000
Explanation	<p>The fee reported in the financial statements includes the scale fee element of the 2021/22 audit fee (£40,615) plus the fee variation in respect of the 2020/21 audit (£22,000), since this amount was not confirmed until the 2021/22 financial year.</p> <p>The fee variation in respect of the 2021/22 audit will be recognised in future financial statements according to when the fee variation is finalised.</p>	<p>The fee reported in the financial statements relates to certification work for the 2020/21 Housing Benefit Subsidy Claim, which was carried out in 2021/22. The fee for the certification of the 2021/22 Housing Benefit Subsidy Claim will be recognised in the 2022/23 financial statements, in accordance with the timing of the work.</p>

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

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence (The FRC Ethical Standard (ES 1.69)).

