The Updated Audit Findings for St Helens Council

Year ended 31 March 2022

St Helens Council

15 March 2023

Contents

Your key Grant Thornton team members are:

Michael Green
Key Audit Partner
E michael.green@uk.gt.co

Helen Stevenson
Audit Manager
E helen.l.stevenson@uk.gt.com

Raymon Danao
Audit in-charge
E raymon.danao@uk.gt.com

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 Governance Committee.

Michael Green

Name : Michael Green
For Grant Thornton UK LLP
9 March 2023

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.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of St Helens 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 was completed remotely during August -November. Our findings are summarised on the following pages. There are no adjustments to the financial statements that affect the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. Our follow up of recommendations from the prior year's audit 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 or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter ; 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 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 not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. A letter explaining the reasons for the delay was sent on 22 September 2022 and is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by April 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified 3 areas of risk in respect of: • future financial sustainability to reflect the continuing uncertainty over future government funding • the continuing risk of the effectiveness of the Council's delivery of children's social care services in light of the findings from the Ofsted inspection in 2019 and subsequent revisits in 2021/22 • the adequacy of governance arrangements in place within estates management for land and property disposals. Our work on these areas of risk are underway and an update is set out in the value for money arrangements section of this report (see Section 3).
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We 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 Annual Auditor's report in April 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 Governance 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

Out draft Audit Findings Report was issued to the Audit and Governance Committee in November 2022. Completion of our audit has been delayed due to the issuance of a new statutory instrument relating to Infrastructure assets and audit procedures responding to changes in this area.

Following the issue of the statutory instrument and associated sector guidance, the Council has amended the financial statements to reflect disclosure changes in this area and these have been subject to audit review.

We have now completed our audit of your financial statements for other outstanding items and there are no further matters to bring to your attention.

We will be issuing an unqualified audit opinion.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

We have revised the materiality figures from those included in the Audit Plan. This is due to actual gross expenditure for 2021/22 increasing above £500m and therefore the audit now meeting the definition of a Major Local Audit, in the scope of additional audit quality procedures and increased risk. As such we have reduced the materiality benchmark to 1.5% of gross expenditure.

We detail in the table our determination of final materiality for St Helens Council.

	Amount (£)	**Qualitative factors considered**
Materiality for the financial statements	7,911,645	This equates to 1.5% of your gross operating expenditure for 2021/22 year and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Council has expended its revenue and other funding.
Performance materiality	5,933,734	The performance materiality has been set at 75% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising.
Trivial matters	395,600	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate. It is a standard benchmark set at 5% of materiality.
Materiality for senior officer remuneration	25,460	This is due to its sensitive nature, with the value based on the 2% of the total senior management remuneration.

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 over-ride 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, 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 population 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 regarding corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. From our review of all journals posted during the year, we identified specific routines to consider all material journals processed during the year and journals above £5.9m processed after the year-end during the preparation of financial statements. This identified 81 journals for follow up review and testing. In addition, we performed testing of a further 11 journals identified through supplementary procedures focusing on a combination of risk based characteristics. From testing carried out, there has been no evidence of inappropriate management override of controls through journals. Our commentary on key accounting estimates is set out on pages 13 to 18. We found accounting policies to be appropriate.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue and expenditure recognition risk – Council risk (rebutted) Revenue ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition 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 ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including St Helens Council, mean that all forms of fraud are seen as unacceptable Although the risk of fraud is rebutted, we recognise the risk of error in revenue recognition and this is addressed through the responses to risk detailed across. Expenditure In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heighted inherent risk of 'other service expenditure' in our audit scoping and testing assessment.	The revenue and expenditure recognition risks have been rebutted. Despite revenue and expenditure recognition not being a significant risk we still undertook the following procedures to ensure that revenue and expenditure included within the accounts is materially correct. To gain this assurance we: • evaluated the Council's accounting policies for income and expenditure recognition for appropriateness and compliance with the Code • updated our understanding of the Council's system for accounting for income and expenditure and evaluated the design of relevant controls • undertook detailed substantive testing on the income and expenditure streams in 2021/22 • documented our understanding of the full nature of additional Covid-19 related income and expenditure • reviewed the accounting treatment of any significant new income and expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards Our substantive income and expenditure testing has not identified any errors that we are required to bring to your attention.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings, including investment properties The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£273m land and buildings valuation in the Councils 2021/22 financial statements) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested 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 the year end • reviewed whether the expert valuer had reported any material uncertainty in relation to property valuations on 31 March 2022 and, if so, assessed the impact on disclosures in the financial statements and on our audit opinion. As the Council's gross expenditure exceeds £500m for 2021-22 we are required to complete additional audit procedures which includes engaging our own internal valuer to support our work. Our auditor valuation expert provided commentary on the instruction process for the valuation of property assets by Wilks Head and Eve and a review of the resultant report. It did not involve a detailed review of individual property valuations. Our valuation expert raised two specific areas for us to consider on the valuation methodology. These were: Whether deduction of purchaser costs were considered when using the investment valuation approach, and Whether consideration had been given to adjust floor areas as part of a Modern Equivalent asset assessment (MEA) for assets valued on a depreciated replacement cost basis. We challenged the Council on these areas and were satisfied the valuer had considered these factors in arriving at the detailed valuation of the Council's assets. As part of our overall audit work we tested 52 asset valuations, including individually large assets or those with unusual movements, as well as a sample across the remainder of the total population of 200 assets. In completing our work we examined the accounting entries, data and assumptions used, relevant asset indices and considered those assets not revalued. Our audit work has not identified any other issues in respect of valuation of land and buildings (see page 13 for further commentary on estimates used by management).

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 pension liability, represents a significant estimate in the core financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£287m in the Council's 2021/22 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. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in 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 liability is not materially misstated and evaluated 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 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 the Merseyside Pension Fund (MPF) 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. We have now received responses from the Merseyside Pension Fund auditor in response to our written request for various assurances and note the Pension Fund auditor reported that the Fund had obtained updated values for Level 3 investments at 31 March 2021. This identified a £43 million difference in the valuation of the investments. Based on St Helens share of the total assets of the fund, we calculated the maximum possible error would be £3.5 million. This is not material and we have not proposed any adjustment to the financial statements. Based on completion of audit testing and procedures set out we have gained assurance that the net pension liability is materially correct.

2. Financial Statements – other risks identified in the audit plan

Issue	Commentary	Auditor view
Recognition and Presentation of Grant Income • The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income	We completed sample testing on grant income, considering; • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • 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 • the impact 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. • the adequacy of disclosure of judgement in the financial statements. The Council assessed the major business support grant programmes administered during the financial year to determine whether the Council was acting as principal (where the Council had discretion over the amount of funding to award or the criteria for who could be awarded funding) or agent (passing money to businesses on behalf of government). In acting as principal, the Council carried forward any unspent balances on these grants to 2021-2022 as receipts in advance. Where the Council acts as an agent, any unspent balances are carried forward as a creditor.	We are satisfied that the Council's judgement is reasonable based on the terms of the grant and how they have applied it.

2. Financial Statements – other risks identified in the audit plan

Issue	Commentary	Auditor view
Valuation of Infrastructure Assets Infrastructure assets includes roads, highways, streetlighting and bridge assets. Each year the Council spends a material sum on Infrastructure capital additions. As at 31 March 2022, the net book value of infrastructure assets was £180m. In accordance with the Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address: The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced. For the avoidance of any doubt, this risks has not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.	We completed the following work: • discussed emerging sector-wide audit findings on infrastructure accounting with the Council's finance officers; • evaluated management responses to audit enquiries and challenged management's approach to reviewing the infrastructure balances reported in the draft financial statements; • reviewed asset register extracts relating to infrastructure assets • documented our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated.	Our review of the Council's arrangements for accounting for infrastructure assets noted that, as with many other local authorities, they do not fully comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting and International Accounting Standard (IAS) 16. The Council, in common with most other local authorities capitalises additional expenditure on infrastructure assets, for example on resurfacing roads. However, the Council does not write out the gross cost and depreciation values relating to the original spend on the same asset where capital improvements occur. As a result, there is a risk that the gross cost and depreciation balances could be materially misstated. Statutory Instrument (SI) 2022 number 1232 came into force on 25 December 2022. As a result, CIPFA updated the Code, providing a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief is applied from the 2021-22 Code up to and including the 2024-25 Code. As a result of the Code update: (a) Note 25 to the accounts, the Council has included additional infrastructure assets notes (d) and (e) for this year and the prior year in line with the SI. Two key elements within the SI are that no prior year adjustment is required as a result of this new temporary relief and the carrying value of replaced components can be determined as nil (b) The Council have included additional disclosures in Note 25 (PPE) and in accounting policies as required by the guidance. We have also reported this at Appendix C (Audit Adjustments). We are satisfied the revised financial statements are compliant with the infrastructure assets reporting requirements set out in the Code update.

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 – £272.7m net carrying value	Other land and buildings comprises £243.9m of specialised assets 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 are not specialised in nature and are required to be valued at existing use in value £28.7m (EUV) at year end. The Council has engaged Wilks Head and Eve LLP (WHE) to complete the valuation of assets as at 31 March 2022 on a five yearly cyclical basis. 95.2%% of land and building assets were revalued during 2021/22. In addition to the rolling programme, any single asset deemed as material is revalued every year to reduce the risk of non-valued assets. Management also review conditions that may impact non-valued assets, such as enhancements and obsolescence, and request for additional properties to be revalued if required. The Council has included disclosures in relation to estimation uncertainty at Note 2. The valuation of properties valued by the valuer has resulted in a net gain on revaluation of £20.2m. The total year end valuation of other land and buildings was £272.7m.	The Council's accounting policy on valuation of land and buildings is included in the Accounting Policies note which starts on page 43 of the financial statements. Key observations The external valuers state that at the valuation date there is an adequate quantum of property market evidence existing upon which to base opinions of value without having to report those valuations as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. The underlying information and sensitivities used to determine the estimate was considered to be complete and accurate. The valuer 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. We have uplifted assets not revalued in the period using Gerald Eve indices and considered management's assessment that there has been no material changes to the valuation of land and buildings not revalued in year. We consider the level of disclosure in the financial statements to be appropriate. Conclusion We are satisfied the estimate of your land and buildings valuation is not materially misstated.	Light purple

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 Properties - £13.777m	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). The fair value of the Council's investment property is measured annually at each reporting date. The valuations have been carried out by external valuers, Wilks, Head and Eve LLP. The year end valuation of the Council's investment property was £13.777m, a net increase of £0.156m from 2020/21.	• We have no concerns over the competence, capabilities and objectivity of the internal valuation expert used by the Council. • The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including within which were the assumptions that were going to be applied to this work • The valuer completed a full valuation of the investment portfolio at 31 March 2022 We have not identified any issues with the 2021/22 valuations.	Light purple

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 – £287m

Summary of management's approach

The Council's net pension liability at 31 March 2022 is £286.997m (2020/21: £337.393m) comprising the Merseyside Local Government Pension Scheme benefit obligations.

The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The net pension liability has decreased by £50.396m during 2021/22.

Audit Comments

In understanding how management has calculated the estimate of the net pension liability we have:

- assessed the use of a management's expert actuary;
- assessed the actuary's calculation approach
- used PwC as auditors expert to assess actuary and assumptions made by the actuary (see table below).

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.8%	2.7-2.8%	
Pension increase rate	3.5%	3-3.5% for all employers	
Salary growth	4.9%	1.25-1.5% above CPI	
Life expectancy – Males currently aged 45 / 65	22.4 20.9 yrs	24.8 20.7 yrs	
Life expectancy – Females currently aged 45 / 65	25.9 24 yrs	27.5 23.8 yrs	

- examined the completeness and accuracy of the underlying information used to determine the estimate
- undertook a reasonableness test of the Council's share of LGPS pension assets
- assessed the reasonableness of the increase in estimate
- assessed the adequacy of the disclosure of the estimate in the financial statements
- confirmed there have been no changes to the valuation methodology since the previous year, other than the updating of key assumptions above.

Conclusion

Based on our review of assumptions, judgements and estimation processes we have gained assurance these are reasonable, and the net pension liability is materially correct.

Assessment

Light purple

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £12.073m	The Council is liable for successful appeals against business rates charged to business in 2021/22 and earlier financial years in their proportionate share. A provision has therefore been made for the best estimate of the amount that businesses have been overcharged up to 31 March 2022. The Council uses data provided by the Valuation Office Agency (VOA) on historic appeals and analyses this data to estimate the likely success of outstanding appeals. The data is sense checked and a wider analysis of provision levels is undertaken across local authority groups to provide assurance that provision levels appear reasonable. The provision has decreased by £0.567m in 2021/22.	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other local government bodies • Disclosure of the estimate in the financial statements is considered adequate. • There have been no changes to the calculation method this year.	Light purple

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
Grants Income Recognition and Presentation- £331m Covid-19 related grant funding continued into 2021/22 with associated complexity and management judgement required. This has comprised a mix of discretionary and non discretionary schemes for grants to businesses.	Management take into account three main considerations in accounting for grants: • whether the authority is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes - are these judgements reasonable and sufficiently disclosed to meet the requirements of IAS 1:125?Audit teams need to consider how they are satisfied that the Council's judgement is reasonable based on the terms of the grant and how they have applied it.	We completed sample testing on grant income, considering; • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • 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 • the impact 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. • the adequacy of disclosure of judgement in the financial statements. The Council assessed the major business support grant programmes administered during the financial year to determine whether the Council was acting as principal (where the Council had discretion over the amount of funding to award or the criteria for who could be awarded funding) or agent (passing money to businesses on behalf of government). In acting as principal, the Council carried forward any unspent balances on these grants to 2022-2023 as receipts in advance. Where the Council acts as an agent, any unspent balances are carried forward as a creditor. We are satisfied that the Council's judgement is reasonable based on the terms of the grant and how they have applied it.	Light purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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- 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 - £3.18m	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 year end MRP charge was £3.180m, a net increase of £54k from 2020/21.	• The Councils MRP has been calculated in line with the statutory guidance • Cabinet approved the annual MRP policy in February 2020 which remains unchanged from prior years. We assessed the reasonableness of the approach taken by the Council in calculating MRP in comparison to other authorities. Our analysis identified the Council is charging a minimum revenue provision of 1.66% of its capital financing requirement as at 31 March 2022. A benchmark of 2% is generally regarded as appropriate charge as it reflects MRP being charged across an approximate asset life of 50 years. The underlying reason for the overall charge below 2% is the Council is charging MRP on an annuity basis for those supported assets (pre 2008 regulations) and also on certain regeneration assets. This approach is allowable under statutory guidance and results in a lower MRP charge in earlier years and a higher charge in later years. Whilst allowable, this method does push more of the burden of debt repayment into the future. The Council should continue to examine the appropriateness of its MRP policy to ensure it is making sufficient charge to general fund. It should consider future affordability in using the annuity basis which results in increasing MRP charges in later years.	Light purple

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 - 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 Governance 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 was included in the Audit and Governance Committee papers. This will be updated following the closure of the audit in 2023.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and investment counterparties. This permission was granted and the requests were sent and 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. We challenged some of the disclosures in Note 2 for critical judgements and areas of estimation uncertainty. The details are set out in the classification and misstatement adjustments page in Appendix C.
Audit evidence and explanations/ significant difficulties	The Council has supported the audit process throughout and provided the information and explanations requested from management. We have however, experienced some delays in performing the audit and in gaining responses to certain information. We received the draft financial statements on 1 August 2022 which was a month later than the original scheduled start date. We reorganised our timetable to accommodate this delay but there remain a number of areas where queries remain outstanding, notably in payroll. Some information requested from payroll in April remained uncleared at the time of the initial Audit Findings report and resulted in additional audit and finance staff time being required to complete required work, pushing back the closure of the audit.

2. Financial Statements - other communication requirements

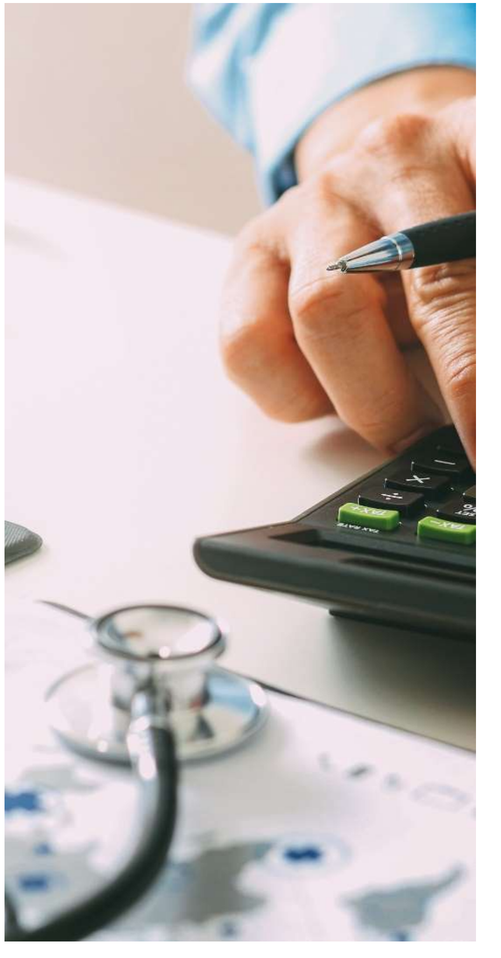
Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
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 significant weaknesses. We have nothing to report on these matters at this stage. The Value for Money work is underway and not due to be completed until April 2023.



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. We will complete this work in line with the required deadlines.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of St Helens Council in the audit report due to incomplete VFM work.

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 not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by April 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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

Risk of significant weakness	Work performed to date
Financial Sustainability The impact of Covid-19 and continuing uncertainty over future government funding means the Council continues to face future financial uncertainty. Pressures going forward include increasing demand for social care, economic recovery from the pandemic and the achievement of strategic objectives. The Council's Medium Term financial strategy 2022-25 indicates a potential £24.1m cumulative budget gap over the 3 year period with proposed savings options of £11.3m, leaving a residual gap of £12.79m from 2023/24 to 2024/25. Although these financial projections are subject to significant planning uncertainty the Council recognises the urgent need to progress savings options into the medium term to close future funding gaps.	We are currently reviewing the arrangements in place to manage the Council's financial sustainability. This work is underway and will be reported in our Auditors Annual Report.
Ofsted Inspection of Children's Social Care Services The Council received an "Inadequate" Ofsted rating for its children's social care services in 2019. Since then, the Council has continued with its improvement journey in Children's Services during 2020-21. It made a clear commitment to improvement by additional investment in the service and through establishing clear reporting and monitoring of progress against its Improvement Plan. However, the service faces considerable ongoing challenge as reflected in the Ofsted revisits in November 2021 and March 2022 and has several areas of concern which remain unresolved.	We are currently examining the progress the Council is making in addressing the issues raised by Ofsted during 2021/22. This work is underway and will be reported in our Auditors Annual Report.

3. VFM - our procedures and conclusions

Risk of significant weakness	Work performed to date
Estates Management During 2020/21 a CIPFA review of property services and subsequent Internal Audit estates management review identified a number of significant weaknesses with the governance and controls in place for land and property disposals. The reports issued included a number of key recommendations for the Council to address to secure improvements in estates management to reduce the risk of lost income or fraud arising from inappropriate and potentially undervalued property disposals.	We are currently examining the progress the Council is making against the recommendations raised in the estates management reports. This work is underway and will be reported in our Auditors Annual Report.

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. 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.

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. No non-audit services were identified which were charged from the beginning of the financial year to the current date, 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 £141,495 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.
Certification of Teachers Pension Return	7,500	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 £7,500 in comparison to the total fee for the audit of £141,495 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.

Appendices

A. Action plan – Audit of Financial Statements

We have identified two recommendations for the Council as a result of issues identified during the course of our audit. We have agreed the recommendations with management and we will report on progress on the recommendation 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 audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	**Delays to receipt of information, notably payroll (page 19)** The Council has supported the audit process throughout and provided the information and explanations requested from management. We have however, experienced some delays in performing the audit and in gaining responses to certain information, notably payroll. Some information requested from payroll in April remains uncleared in November and has meant additional audit and finance staff time chasing this. This has pushed back the closure of the audit.	The Council should examine the reasons for the delay in the provision of information from its payroll department which has meant additional finance and audit time in delivery of the audit. Management response Agreed
● Medium	**Fair values (FV) of assets and liabilities - Long term debtors (note 39c)** The Council's long term debtors are made up of Joint Venture, Housing Improvement and Innovation Loans. The Council have included the fair value of the loan at the same value as the carrying value. The Council's basis for this is this is a reasonable proxy of the fair values as if the loan were transferred, the current value would be the rate at which the transfer between the 2 participants would take place. Although we are satisfied there is no significant misstatement in the fair value disclosed we recommend the Council set out in detail its FV calculation and assessment to ensure this is in accordance with IFRS 13 (and Code 2.10). Fair values for loans are usually calculated using discounted cashflow using a market rate at the balance sheet sheet date - so if the interest rate on the loan is different to current market rates then the FV would be different to carrying value.	The Council should set out in detail its FV calculation and assessment for long term debtors to ensure this is in accordance with IFRS 13 (And Code 2.10). Management response Agreed

Controls

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

B. Follow up of prior year recommendations

We identified the following issue in the audit of St Helens Council's 2020/21 financial statements, which resulted in 1 recommendation being reported in our 2020/21 Audit Findings report.

We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Investment properties revaluation The Council's valuer revalued £9.4m out of £13.6m investment properties as at 31 March 2021. The valuer provided commentary on trends in values since the previous Council investment market review 31 March 2020, rather than a full valuation of the investment portfolio at 31 March 2021. Management also completed an assessment on those investment properties not subject to revaluation. The Council should ensure it formally revalues all of its investment properties on an annual basis in line with the requirements of the Code. This minimises the risk of those assets not revalued being materially misstated at the balance sheet date.	The Council have valued all investment properties for the 2021/22 financial statements.

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.

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
Long term debtors (note 31) Long term investment (note 30) Our examination of the Parkside Regeneration debtor balance of £10,974 in long term debtors identified £1,500 equity investment. This should be shown within long term investments.	nil	Cr Long term debtors (reduced) 1,500 Dr Long term investment (increase) 1,500	nil
Cash and cash equivalents (note 39d) Cash overdrawn (short term creditors) Cash includes overdraft balances netted off assets which is only permissible if the Council has a legal right of set off and intends to settle net. Otherwise the liability should be disaggregated and shown separately in current liabilities in the Balance Sheet.	nil	Dr Current Assets (Cash and Cash Equivalents) 4,517 Cr Current Liabilities (Cash and Cash Equivalents) 4,517	nil
Overall impact	nil	nil	nil

C. Audit Adjustments (continued)

Impact of unadjusted misstatements

none

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Our testing of a sample of year end creditors identified a £22k factual error where a creditor was raised for an overstatement of income, rather than being a deduction against the debtor. This extrapolates to an estimated overstatement of debtors and creditors £1.8m.		ST debtors decrease 1,800 ST creditors decrease 1,800	nil	Extrapolated misclassification error is below materiality and factual error is small.
Overall impact	£nil	£nil	£nil	

C. Audit Adjustments (continued)

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 and misclassification changes	Details	Adjusted?
Accounting policies (property, plant and equipment)	The Council corrected the disclosures for the measurement of assets under construction and other assets to state the correct method of valuation and included the range of useful life for all classes of PPE subject to depreciation. **The Council has amended the infrastructure assets policy in line with the requirements of the Statutory Instrument (SI) 2022, number 1232.**	✓
Property, plant and Equipment (note 25c revaluations)	The Council amended the figures for revalued amounts in the last 3 years due to misclassification errors. It has also corrected the table narrative to show land and buildings at current value (from fair value which is only for surplus assets). **The Council have included additional disclosure in sub notes (c) and (d) to report infrastructure assets on a net book value basis in accordance with the Code amendment December 2022.**	✓
Financial Instruments (note 39)	The Council amended the narrative in the note for past due amounts (from 14 days in 2020-21 to 28 days in 2021-22). It has also updated some old terminology.	✓
Financial Instruments (note 39)	We recommended an additional disclosure to show a reconciliation for non financial assets and liabilities in the note to arrive at the total assets and liabilities in the balance sheet. The Council opted not to add additional disclosure as, in their view, the disclosure meets the minimum requirements of the Code.	No
Exit packages (note 24)	The Council have corrected the exit packages note for 1 omission and incorrect banding.	✓
Expenditure and Funding Analysis (EFA)	The EFA should show amounts reported to decision makers from the outturn report (in line with IFRS 8). The Council have included a separate column for this with an adjustment column added. **It has also included additional disclosures for Adjustments for Capital Purposes, Net Change for Pension Adjustments and Other differences.**	✓
Critical judgements (note 2)	We challenged the critical judgements note as follows: • we do not consider Covid-19 or schools to be critical judgements • we would expect some quantitative disclosure of the impact on the accounts for each judgement. The Council opted not to make any amendment as they consider the disclosure provides additional relevant detail to support the Councils ongoing ability as a going concern. In relation to schools the Council is of the opinion the introductory narrative sets out the background leading into the commentary about school's assets which they believe can be a critical judgement. The Council is of the view quantitative assessment is difficult to make in relation to the judgements.	No

* Items in bold are those updated since the draft Audit Findings Report November 2022.

C. Audit Adjustments (continued)

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 and misclassification changes	Details	Adjusted?
Assumptions and estimation uncertainty (note 2)	We challenged the critical judgements note as follows: • we do not consider debtors and the various provisions as sources of material estimation uncertainty • we questioned the basis of the PFI disclosure as an estimation uncertainty as these are only required for assets or liabilities in the balance sheet. The Council agreed to remove references to these as areas of estimation uncertainty.	✓
Changes in accounting policy in relation to the 2021-22 statement of accounts (note 3)	**Additional disclosures added to reflect the revised treatment of the £1.5m equity investment in the Parkside Joint Venture and the separate disclosure of the bank overdraft for 2021-22 (in line with the audit adjustments on page 31).**	✓
General Fund reserves (note 7)	**Additional columns added for 2020-21 to show the opening balances, movements in year and closing balances.**	✓
Schools budget funded by dedicated schools grants (DSG) (note 10)	**New format of disclosure presented in line with CIPFA practitioners guidance**	✓
Fair values of assets and liabilities Long term debtors (note 39c)	The Council should disclose fair values for its long term debtors (£13.5m in note 31). The Council's long term debtors are made up of Joint Venture, Housing Improvement and Innovation Loans. The Council responded that the carrying values are reasonable proxy of the fair values and have added additional disclosure in the note and included the fair value in the table.	✓
Fair values of assets and liabilities Market loans (note 39c)	The fair value of the market loans have been shown at prevailing market rates or on the assumption the liability would be settled or otherwise extinguished. Our view is the fair value should be disclosed at the new loans rate on the basis that the liability would remain outstanding. The Council have included the new loans rate in the notes to the table disclosure.	No
Presentational issues	Various other narrative changes to accounting policies, minor presentational issues, and some updated narrative in the notes.	✓

* Items in bold are those updated since the draft Audit Findings Report November 2022.

D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£141,495	£151,495*
Total audit fees (excluding VAT)	£141,495	£151,495

Audit fees per financial statements (note 23) are £167k. This agrees to the proposed fees in the tables.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Housing Benefits	£18,000	£18,000
Certification of Teachers Pension	£7,500	£7,500
Total non-audit fees (excluding VAT)	£25,500	£25,500

Grant fees agree to note 23 financial statements.

* The final audit fee has increased above that included in the Audit Plan as a result of the audit being a Major Local Audit following increase in gross expenditure above £500m. This results in the use of an auditor's expert to support work on PPE valuations (£3,000), reduction in materiality, increases in sample sizes and enhanced quality processes (£5,000). There have also been delays experienced in obtaining responses to audit queries that have resulted in additional resource inputs (£2.000). The proposed fee variation has been discussed and agreed with management and is subject to formal approval by Public Sector Audit Appointments (PSAA).

E. Audit letter in respect of delayed VFM work

Councillor Lynn Clarke

Chair of Audit and Governance Committee

22 September 2022

Dear Councillor Clarke

Delayed Value for Money reporting

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 January 2023.

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

Yours faithfully

Michael Green

Director

** note due to the delay in finalising the financial statements audit the Annual Auditor Report will now be issued in April 2023 grantthornton.co.uk