Grant Thornton

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External Audit Plan

Year ending 31 March 2019

City of Wolverhampton Council

10 December 2018

Contents

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Your key Grant Thornton team members are:

Mark Stocks
Partner
T: 0121 232 5437
E: mark.c.stocks@uk.gt.com

Nicola Coombe
Senior Manager
T: 0121 232 5206
E: nicola.coombe@uk.gt.com

Zak Francis
Assistant Manager
T: 0121 232 5164
E: zak.francis@uk.gt.com

Introduction & headlines

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Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the City of Wolverhampton Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of City of Wolverhampton Council. We draw your attention to both of these documents on the PSAA website. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Risk Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Group Accounts	The Authority is required to prepare group financial statements that consolidate the financial information of Wolverhampton Homes Limited.
Significant risks	Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: • Management override of controls • Valuation of land and buildings • Valuation of the pension fund net pension liability We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.
Materiality	We have determined planning materiality to be £16m (PY £15.503m) for the group and £16m (PY £15.426m) for the Authority, which equates to approximately 1.8% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.800m (PY £0.771m).

Introduction & headlines (continued)

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Value for Money arrangements	Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks: • Financial resilience • Strategic Asset Management • Civic Halls Refurbishment
Audit logistics	We will undertake split interim visits, which will take place in January, February and March. Our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be £145,860 (PY: £189,428) for the Authority, subject to the Authority meeting our requirements set out on page 14.
Independence	We have complied with 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.

Key matters impacting our audit

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External Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. The City of Wolverhampton Council has a good track record of financial management but in common with other authorities, pressures on demand led services, particularly in Children's Social Care, continue to put pressure on finances.

For 2018-19, an overspend of £2.7 million was projected as at July 2018. Subsequent to this, services were asked to deliver in year budget reductions in order to address the projected overspend. As a result, the projected overspend has reduced to £1.7 million at November 2018. The remaining overspend is due in the main to pressures in the People Directorate, and specifically in Looked After Children.

We note that the Authority have rated the overall risk associated with the draft budget and medium term financial strategy for 2018-19 to 2019-2020 as red, due to the uncertainty being faced over the medium term.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

Internal Factors

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

Group boundary

The Council has three subsidiary companies: Wolverhampton Homes Limited, City of Wolverhampton Housing Company Limited (trading as WV Living), and Yoo Recruit. Wolverhampton Homes is already consolidated in the financial statements and Yoo Recruit is not considered to be material.

The City of Wolverhampton Housing Company Limited (trading as WV Living) began trading during the 2017/18 financial year with the aim building and developing a range of new, affordable homes across Wolverhampton. It is anticipated that the activity of this subsidiary will increase as further house building work is undertaken and completed builds are sold. The Authority will need to be mindful of the scale of revenue and expenditure going through this company and be prepared to consolidate if the activities are considered to be material.

Our response

We will consider

- your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- whether your financial position leads to material uncertainty about the going concern of group and will review related disclosures in the financial statements.

We will

- keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and our technical update workshops.
- consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

You will see changes in the terminology we use in our reports that will align more closely with the ISAs

We will ensure that our resources and testing are best directed to address your risks in an effective way.

For the purposes of our audit plan we have deemed WV Living to be individually significant to the group financial statements, based on anticipated levels of expenditure being in excess of £20m.

We will maintain a watching brief and continue to liaise with the finance team to ensure that if further changes to the group boundary are identified that the consolidation is extended to include further entities as necessary.

Audit approach

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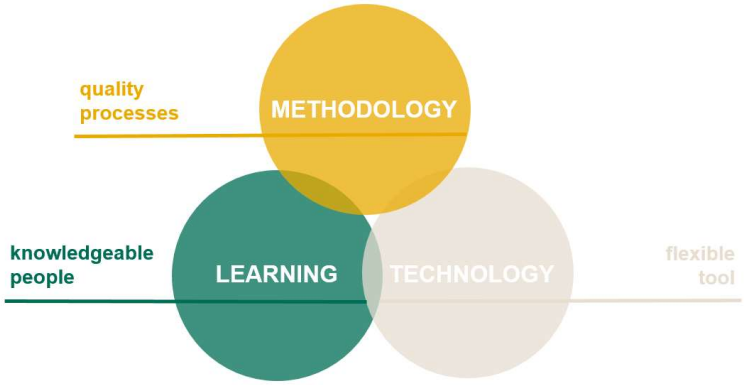
Use of audit, data interrogation and analytics software

LEAP

Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



Inflo

Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.

REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring

ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment

VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers

INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs

FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance

INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

IDEA

- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian

Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Group audit scope and risk assessment

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In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
City of Wolverhampton Council	Yes		• See pages 8 to 10 where the identified risks pertaining to the Authority are detailed	Full scope UK statutory audit performed by Grant Thornton UK LLP
Wolverhampton Homes Limited	Yes		• See pages 8 to 10 where the identified risks pertaining to the Group are detailed	Specific scope procedures on management override of controls and the valuation of the net pension fund liability to be performed by component auditor, Grant Thornton UK LLP. The nature, time and extent of our involvement in the work of the component audit team will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditors' audit documentation and meeting with appropriate members of management.
Yoo Recruit Limited	No		None	Analytical review performed by Grant Thornton UK LLP, as the auditors of the Authority.
City of Wolverhampton Housing Company Limited	No		See pages 8 to 10 where the identified risks pertaining to the Group are detailed	This is the second year of trading for this company. While we have not yet had the formal group boundary consideration from the Council, we are aware from discussions with officers that consolidation of this component is likely due to the level of expenditure expected as at 31 March 2018. As such we will ask for specific scope procedures on management override of controls to be performed by the component auditor.

Audit scope

- **Audit of the financial information of the component using component materiality**
- **Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements**
- **Review of component's financial information**
- **Specified audit procedures relating to significant risks of material misstatement of the group financial statements**
- **Analytical procedures at group level**

Significant risks identified

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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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	**Group and Authority**	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including City of Wolverhampton Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for City of Wolverhampton Council. In terms of this risk and how it relates to the Group we have also determined that the risk of fraud arising from revenue recognition in the Group can be rebutted because the majority of income of Wolverhampton Homes Limited (approximately 97%) arises from the Council and is therefore eliminated on consolidation. The remainder of the income stream of Wolverhampton Homes Limited is sourced from third parties but given the subsidiary's close relationship with the Council, we believe the above bullet points also apply from a Group perspective.	Response not required as risk rebutted.

Significant risks identified

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Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	**Group and Authority**	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings	**Authority**	The Authority revalues all assets over £1m on an annual basis with the remainder being revalued on a cyclical basis or as considered necessary in order to ensure that all assets are revalued at least every five years. This is in line with the Code requirements. This is to ensure that carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of a valuer to estimate the current value as at 31 March 2019. We therefore identified the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer, with follow up discussions as necessary, to confirm the basis on which the valuations were carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Significant risks identified

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Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	**Group and Authority**	The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£640.7 million and £678.3 million in the Authority's and Group's balance sheets respectively as at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test 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; • undertake 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 • obtain assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Note that from a group point of view this risk is only applicable to the City of Wolverhampton Council and Wolverhampton Homes Limited, as the City of Wolverhampton Housing Company Limited does not have ay employees and therefore carries no such liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

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Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
    - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
    - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
    - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

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 group's ability to continue as a going concern” (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

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The concept of 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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

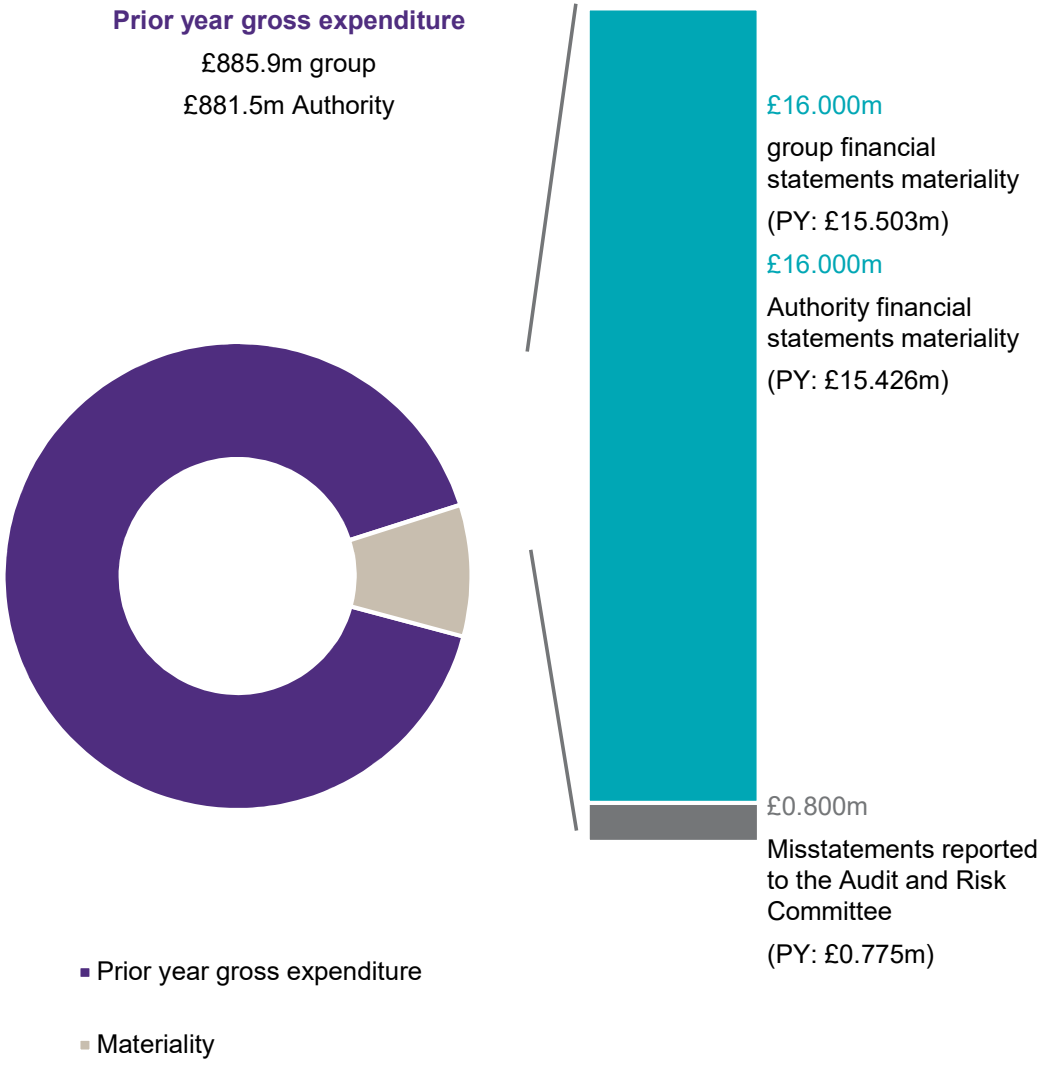
Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £16.000m (PY £15.503m) for the group and £16.000m (PY £15.426m) for the Authority, which equates to approximately 1.8% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £35,000 for senior officer's remuneration as we believe these disclosures are of specific interest to the reader of the accounts. We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Risk Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.800m (PY £0.775m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

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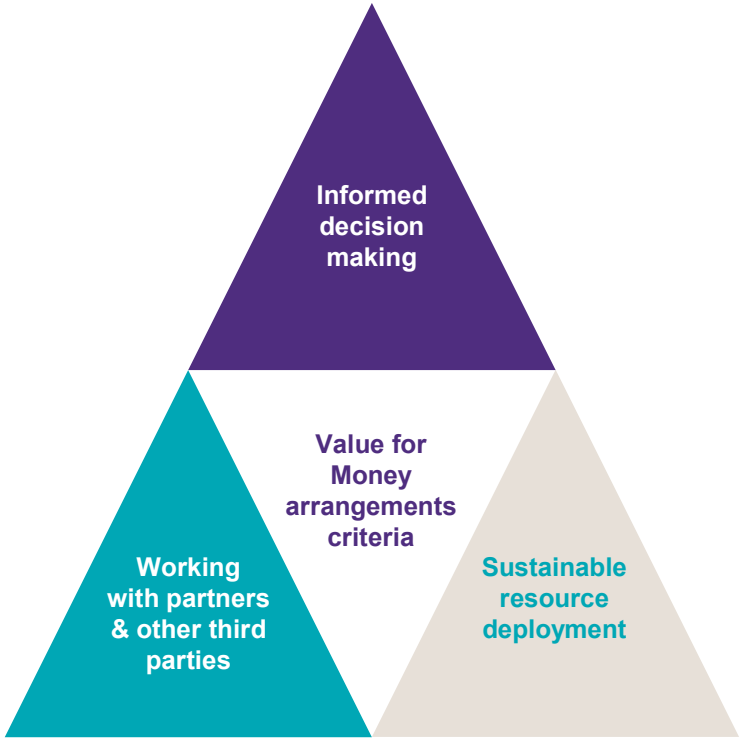
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

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



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

Financial resilience

The Authority has historically managed its finances well, achieving financial targets. The Budget and Medium Term Financial Strategy considered by Cabinet on 20 February 2018 and approved by Full Council on 7 March 2018 identified that the budget for 2018-19 was in balance without the use of general reserves. However, in common with other authorities, pressures on demand led services, particularly in Children's Social Care, continue to put impact finances and the Authority is forecasting an overspend against the general fund of £1.7m for 2018/19.

The scale and pace of change for local government will affect future projections and it is important the Authority is on track to identify and produce savings required to deliver balanced budgets in the future. The Authority is faced with finding further budget reduction and income generation proposals totalling £19.5 million over the period to 2019/20. There is therefore still a gap to address in terms of future funding and savings solutions.

We will review the Council's Medium Term Financial Strategy and financial monitoring reports and assess the assumptions used.

Strategic Asset Management

The Council's 2014/15 Annual Governance Statement noted that following the transfer of Corporate Landlord to City Assets (Place Directorate) in January 2015 the opportunity was being taken to further embed the Strategic Asset Management function. It was intended to ultimately establish a Strategic Asset Management Plan, rationalise the property base, and dispose of unneeded assets. It was noted in the 2015/16, 2016/17 and 2017/18 Annual Governance Statement that a Strategic Asset Plan had yet to be developed.

We reported last year that while we though arrangements were adequate, the speed of implementation was slow. We will revisit the Council's progress against this for 2018/19 through discussion with officers and review of relevant documents.

Value for Money arrangements

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Civic Halls Refurbishment

As part of our VFM conclusion for 2017/18 we noted that the Authority had undertaken reviews during the year with regard to the build of Wolverhampton Markets, Wolverhampton Train Station and Wolverhampton Civic Hall. It had identified deficiencies with regard to the programme management of all three projects. We considered these as part of our review and concluded that:

- Markets – while deficiencies with regard to the project exist the project in itself was not considered to be material to the VFM conclusion.
- Train Station – while deficiencies exist with regard to the project management of the capital build these were not considered to be unusual for this type of complex project and therefore was not material to the VFM conclusion.
- Civic Hall – the deficiencies appeared to be significant and we acknowledged that the final outcome of the project was not clear as at the time of writing and that the majority of the costs would fall into 2018/19. We reported that therefore we would consider this project as part of our 2018/19 VFM conclusion.

Internal audit were commissioned by the former Managing Director to undertake a lessons learned review for three capital projects, which included the Civic Halls Refurbishment.

We will review the report produced by internal audit and assess progress being made against the actions they identified. We will also take into account the quantum of overspend against budget to determine if appropriate arrangements were in place.

Audit logistics, team & fees

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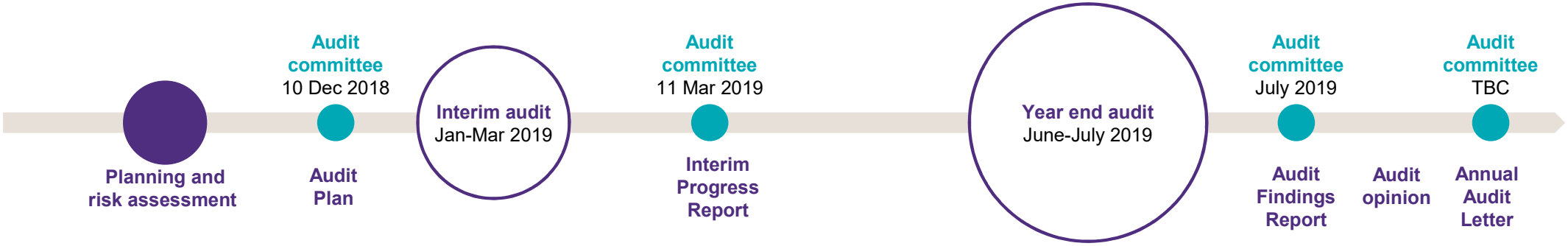

Mark Stocks, Engagement Lead

As your engagement lead, Mark will have the ultimate responsibility for the delivery of your audit service. He will lead our relationship with the Authority and take overall responsibility for delivering a high quality audit, which meets the highest professional standards while adding value.

Nicola Coombe, Audit Manager

As the engagement manager, Nic is responsible for overseeing the delivery of our service and managing the audit process. She will work with officers and our on-site team to ensure the smooth planning and delivery of the audit. She will oversee the on-site team and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

Zak Francis, Audit Incharge

Zak will lead the on-site audit team and is responsible for the performance of the audit fieldwork and day-to-day liaison with the finance team. He will ensure that your audit is delivered effectively, efficiently and supportively, keeping the finance team abreast of any issues arising as and when they occur.

Audit fees

The planned audit fees are £145,860 (PY: £189,428) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. There is no non-Code (as defined by PSAA) work planned. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

Early close

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Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

The early close deadline was met in respect of the year ending 31 March 2018: this was as a result of both the audit and finance teams working proactively with one another throughout the year to identify issues to discuss, agree and resolve; the finance team presented us with draft accounts in accordance with the national deadline and provided a good set of working papers to support them; in addition, the finance team responded promptly and efficiently to our queries during the course of the audit.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We will also liaise closely with the West Midlands Pension Fund and its audit team to discuss any issues that may impact or delay the issue of the City of Wolverhampton's Council's accounts.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 15). Where the elapsed time to complete an audit exceeds that agreed due to a client not meetings its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

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Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

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 December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work, while yet to be confirmed is likely to be relatively small in comparison to the total fee for the audit of £145,860 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.
Grant certification of Housing Benefit Subsidy Claim	14,128	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence when compared to the total fee for the audit of £145,860 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.
Certification of Teachers Pension Return	4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence when compared to the total fee for the audit of £145,860 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.
Non-audit related			
None	-	-	-

Fees

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For the purposes of completeness we set out the audit fees charged in respect of the Authority and its subsidiaries

Audit Fees

	Proposed fee	2017/18
Council Audit	145,860	189,428
Audit of subsidiary company Wolverhampton Homes Limited	TBC*	27,000
Audit of subsidiary company Yoo Recruit Limited (not consolidated on grounds of materiality)	TBC*	13,000
Audit of subsidiary company City of Wolverhampton Housing Company Limited (not consolidated on grounds of materiality)	TBC*	12,000
Total audit fees (excluding VAT)	**£257,556**	**£257,556**

- The fees listed are the amounts that were charged for the audit in respect of the year ending 31 March 2018 as this is the most recent audit to date. The audit of these companies have yet to take place in respect of the year ending 31 March 2019 and as the audit plans have not yet been issued, the fees are yet to be confirmed.

The amounts detailed above and on the previous page are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Risk Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.
None of the services provided are subject to contingent fees.

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