

The Audit Findings for City of Wolverhampton Council

Year ended 31 March 2021

City of Wolverhampton Council
September 2021



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

Name : Jon Roberts
For Grant Thornton UK LLP
Date :

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the City of Wolverhampton Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 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 group and Council's financial statements:

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

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work has been conducted remotely from June to date. Our findings are summarised on pages 4 to 24.

Our work is still ongoing in some areas and therefore adjustments have not yet been determined and concluded upon. We have however identified one unadjusted misstatement. All amendments to date are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

There are a number of matters still underway as at the time of writing but from the work done to date there are no matters of which we are aware that would require modification of our audit opinion (for draft wording please see separate Appendix) or material changes to the financial statements, subject to satisfactory resolution of the outstanding matters, as set out on page 6.

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, but we will be unable to certify the audit closed until our work on the whole of government accounts is complete and we have issued our Annual Auditor's Report.

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. An audit letter explaining the reasons for the delay is provided as a separate agenda item. We expect to issue our Auditor's Annual Report by 31 December 2021. 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 two risks in respect of financial sustainability and group governance. Our work on these risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

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

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

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

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report, as well as the completion of our work on the Whole of Government Accounts procedures.

Significant Matters

Management's assumptions and estimates

The revised auditing standard in relation to estimates has led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations.

For property valuations in particular, there has been significant enquiry and challenge with both sets of valuers over the inputs and assumptions applied, as discussed later in this report, and our work in these areas is incomplete pending receipt of outstanding responses to our queries and our consideration thereof.

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 will be discussed with the Audit and Risk 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 group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the component/s of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- From this evaluation we determined that specified audit procedures for Wolverhampton Homes Limited and the City of Wolverhampton Housing Company were required, which are being completed by Grant Thornton UK LLP; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 21 June 2021.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion pending satisfactory conclusion of all outstanding matters. The outstanding matters are listed overleaf and are as at the time of writing. We will update the Committee verbally of progress against these matters at the meeting on 27 September.

Acknowledgements

The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again in respect of remote access working arrangements i.e. video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the Council, access to key data (which we would otherwise just view in person) etc.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff, and look forward to working face to face again in future, when Covid restrictions allow and when new working arrangements are established and confirmed.

2. Financial Statements

Status of the audit: the outstanding matters as at the time of writing are set out below.



- receipt of responses from the Council's external valuers on our queries and our consideration thereof
- completion of our work on the valuation of land and buildings
- resolution of all issues raised in the "hot review"
- receipt of management's consideration of impairment of balances in relation to WV Living
- final manager and engagement lead review of all of the above once completed



- receipt of IAS19 assurances from the pension fund auditor
- receipt of revised cashflow forecast for WV Living with actuals for the year to date
- completion by the component auditor of the work required for group accounts and review thereon
- final manager and engagement lead review of the above once completed



- receipt of legal basis for the upfront pension payment
- Receipt of documentation to support the treatment of i9 as payment on account
- receipt and review of the updated financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion

Status

- High potential to result in material adjustment or significant change to disclosures within the financial statements
- Some potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

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 the disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

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

	Group Amount	Council Amount	Qualitative factors considered
Materiality for the financial statements	£12.0m	£11.9m	<p>We determined materiality for the audit of the Council's financial statements as a whole to be £11.9m, which is approximately 1.4% of the Council's gross operating expenses.</p> <p>This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.</p>
Performance materiality	£8.4m	£8.3m	<p>We use a different level of materiality, performance materiality, to drive the extent of our testing. Our consideration of performance materiality is based upon a number of factors:</p> <ul style="list-style-type: none"> • We have not historically identified significant control deficiencies as a result of our audit work • We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment • Senior management and key reporting personnel in the finance function has remained reasonably stable from the prior year audit • There were however misstatements identified in the prior year with regard to key estimates such as valuation of other land and buildings and council dwellings. <p>On this basis we have reduced the performance materiality from a possible 75% (standard threshold) to 70%.</p>
Trivial matters	£600k	£0.595m	<p>We determined the threshold at which we will communicate misstatements to the Audit and Risk Committee to be £595k, which is approximately 5% of materiality.</p>

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.

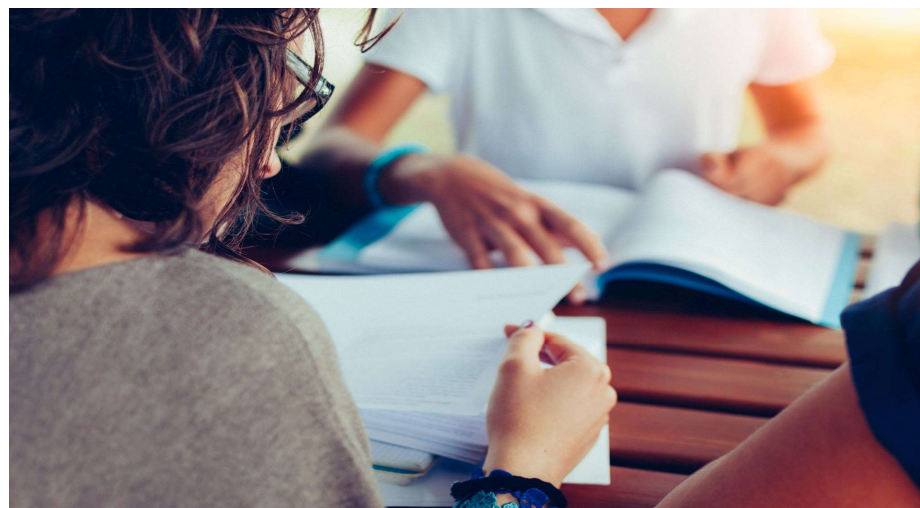
We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness

For more in-depth consideration of the Council's judgements and estimates please refer to pages 15 to 20.

We have no further findings to report from the work conducted to date, though note that completion of our review of a sample of journals is outstanding as at the time of writing.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Risk of fraud in revenue recognition and expenditure

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 City of Wolverhampton 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 heightened 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 2020/21
- documented our understanding of the full nature of additional Covid-19 related income and expenditure
- reviewed the accounting treatment of all new income and expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards

We have no matters to bring to your attention.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of land and buildings (including council dwellings)

Revaluation of property, plant and equipment should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. The Council revalues its land and buildings on a rolling basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) 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.

We have therefore identified the valuation of land and buildings revaluations and impairments as a risk of special audit consideration.

We do not consider this risk to apply to the other components within the group as neither Wolverhampton Homes Limited or City of Wolverhampton Housing Company Limited has land and buildings, which it carries as property, plant and equipment.

Commentary

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the evaluation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuations were carried out
- engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register
- evaluated 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.

The valuer responsible for valuing Council Dwellings, inspected a high proportion of properties in the prior year valuation, which they consider to be a reasonable basis for their overview assessment of their general condition. Therefore we paid consideration to how impairment and or/obsolescence was considered in the absence of a physical inspection.

A significant amount of work was undertaken as part of our audit challenge in the prior year involving a significant amount of time and effort both on our part as well as on the part of the Council's estates team, finance team and valuer, which resulted in two recommendations being made in our 2019/20 Audit Findings Report as well as nine adjusted misstatements in relation to the valuation process. The Council has undertaken an increased amount of its own quality assurance processes for this year including challenging the valuations as they are received by identifying any unusual year on year movements in order that they are able to understand the reasons for any variances.

This challenge has been enhanced this year, both to take into account the findings last year, but also to reflect the increased requirements on both ourselves and management as a result of the revised auditing standard being in place in respect of estimates.

From our work to date we have identified the following:

- The Council is carrying forward assets in the asset register that have been disposed of in prior years. All assets have a £nil net book value as at 31st March 2021, but their gross cost £7.5m, and accumulated depreciation £7.5m are still included and therefore cost and accumulated depreciation are both overstated within Note 8 Non current assets. This amount is split between other land and buildings and Surplus Assets of £6.0m and £1.5m respectively. An adjustment is being put through in this year's accounts accordingly. We are satisfied that a prior period adjustments is not required as one of the criterion of a prior period adjustments it that it is material and this error it not considered to be material.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings (including council dwellings)

(continued)

- The accounting policy in respect of asset lives for Council Dwellings is 30 years but or testing has indicated an estimated useful economic life of over 44 years. The accounting policy is being updated in this regard.
- There is a difference in the composition of dwellings between what has been disclosed in Note HR of the Housing Revenue Account and the valuation report. We understand that this this was due to a formula error in the Council's stock reconciliation. An amendment is being made to reflect the correct composition.
- The Council's revaluation reserve supporting working paper shows a closing revaluation reserve balance as at 31 March 2021 of £128.0m. This is £2.4m larger than the closing revaluation reserve balance on the balance sheet £125.6m (see Note 13). This is a non-trivial item which we are satisfied no adjustment is required for as it is not material but we recommend the Council investigate the difference to determine what the reconciling items are.
- Audit testing of the asset valuation for Asset 3010309 Sports Ground Wobaston Road, identified identified that the plan sent to the valuer included land that had previously been sold by the Council back in 2014/15. On receipt of the revised plan the valuer revised the valuation down from £3.6m to £1. The asset value therefore is overstated by £3.6m.
- The Authority is accounting for £6.8m of assets being constructed by WV Living on their behalf as Assets under Construction. The Authority accounted for the construction of i9 in the year as a payment on account. We have asked officers for further information so we can understand the differences and why two different approaches have been taken.

In addition to the above we note that as at the time of writing we have queries yet to be resolved and therefore pending completion of our work we may have further findings to report.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of net pension fund liability

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.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook 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.

We identified no findings from our work in this regard, though for the reasons set out below we note that our work in this area is incomplete.

We have sought assurances from the auditor of the 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. This information is outstanding as at the time of writing.

The Authority has made an upfront pension payment made in respect of pension contributions in order to reduce costs. We have requested a paper from the Authority setting out what the Council deem to be "payable" during the year which would therefore support the treatment applied. We have also asked this to include appropriate legal consideration. This paper is outstanding as at the time of writing.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
<p>Operating expenses</p> <p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses.</p> <p>Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We therefore identified completeness of non-pay expenses as a risk requiring particular audit attention.</p> <p>We are also applying specific focus to the occurrence of expenditure and existence of payables, to mitigate the risk that expenditure has been overstated to take advantage of the additional funding which has been available to the Council during the 2020/21 financial year.</p>	<p>We:</p> <ul style="list-style-type: none"> evaluated the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness gained an understanding of the Council's system for accounting for non-pay expenditure, including walking through the process to determine that it was operating as expected applied elevated risk procedures and test a sample of balances included within trade and other payables tested a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period tested a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting period. <p>We have no matters to report from our work in this area.</p>
<p>Level 3 investments – Birmingham Airport</p> <p>The Council has an investment in Birmingham Airport Holdings (BAHL) that is valued as a Level 3 investment. By their nature Level 3 investment valuations lack observable inputs. This is because these shares are not quoted on a stock exchange and are valued using non-observable data.</p> <p>In order to determine the value, management commission a review to ascertain the valuation of the investment as at the balance sheet date using an earnings based approach. Earnings multiples are based on an average of the lower-quartile earnings and transaction multiples for the industry, in this case, airports.</p> <p>The valuation of the Council's shareholding in Birmingham Airport Holdings Limited therefore represents an estimate by management in the financial statements due to the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified this level 3 investment as a risk requiring particular audit attention.</p>	<p>The valuation used by the Authority in its accounts is provided by BDO via Solihull Metropolitan Borough Council who lead on obtaining the valuation on behalf of all the West Midlands Councils.</p> <p>We:</p> <ul style="list-style-type: none"> appointed our own internal experts to review the valuation and appropriateness of the methodology applied <p>As a result of their review, a number of queries have been raised which are with BDO to consider. Once received we will:</p> <ul style="list-style-type: none"> evaluate management's process in determining the fair value through use of an expert consider the reasonableness of the estimate review the adequacy of the disclosure of the estimate in the financial statements. <p>The Council has disclosed a source of estimation uncertainty in this regard as follows:</p> <p><i>The Council has an investment in Birmingham Airport Holdings Ltd whose valuation has reduced in the Balance Sheet as at 31 March due to the global conditions as a result of Covid-19. The valuation is based on an earnings approach, by reference to EBITDA*. This valuation noted there was significant volatility and uncertainty with comparable companies at the valuation date. Analysis shows that the markets are factoring the current status of Covid-19 (including support and backing) into their pricing for shares, whilst the current forecasted revenue and EBITDA figures have not yet been updated to reflect the current position. Should the valuation continue to reduce through 2021-2022, the balance of Long-Term Investments would be impacted meaning there may be a material reduction in the value on the Balance Sheet as at 31 March 2022.</i></p> <p>This is deemed appropriate.</p>

2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Wolverhampton Homes Limited	Grant Thornton UK LLP	<p>There were no concerns raised from the engagement team's evaluation of component auditor's work papers with regards to the the quality of the work and/or deficiencies in internal controls identified.</p> <p>We noted that the company is showing investment properties for the first time this year and that the valuer had given their valuation on the basis of material uncertainty.</p> <p>This is reported in the component body's accounts, and a corresponding emphasis of matter is proposed in the audit opinion.</p>	<p>The material uncertainty is given by the valuer on the grounds that there is potential for assumptions to be effected materially over the next 12 months.</p> <p>The total valuation of the investment properties is £2.5m, which is not material to the group accounts.</p> <p>Therefore we are satisfied that there is no material uncertainty required in the group accounts, given that the value of the balance itself is not material.</p>
City of Wolverhampton Housing Company Limited	Grant Thornton UK LLP	<p>The audit of this component is ongoing as at the time of writing.</p> <p>The engagement team have liaised closely with the component audit team to ensure that procedures are performed in relation to the valuation and existence of inventories as follows:</p> <ul style="list-style-type: none"> • undertake procedures to confirm the existence of the inventories in the balance sheet at the year end • undertake procedures to confirm that the appropriate valuation has been applied to inventories at the year end • understand and document management's consideration of whether there are any triggers for an impairment review that would indicate net realisable value was less than carrying value 	<p>There are no findings from this work to date but we note that the work is ongoing.</p> <p>Additionally, we have asked Council management to provide its consideration of whether the inventory in the group accounts is impaired, as well as whether there should be any impairment to recognise in relation to the investment in the subsidiary. Relevant balances in the group accounts are:</p> <ul style="list-style-type: none"> • Inventories £33.0m <p>Relevant balances in the Council accounts are:</p> <ul style="list-style-type: none"> • WV Living loans £28.8m • WV equity £8m

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 – £411.5m	<p>The Council has engaged Burton Knowles to complete the valuation of these properties.</p> <p>The Council requires assets in excess of £1m to be valued annually and the remaining assets are subject to a full, formal valuation on a five yearly cyclical basis.</p> <p>The Council seeks assurance that any assets not valued as at 31 March 2020 are not being held at a value which would be materially different to if they had been valued as at the balance sheet date. They do this through a desktop review undertaken by their valuers to test for any material movement in market value.</p> <p>Other land and buildings revalued in 2019/20 comprised specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings revalued in 2020/21 are not specialised in nature and are required to be valued at existing use value (EUV) at year end.</p> <p>The total net book value of Other land and buildings was £411.5m, a net decrease of £11m from 2019/20 (£16.6m). Management and their valuer have taken into account available market data, and considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's land and buildings.</p>	<p>We have engaged our own valuer to assist with our work and challenge in this area.</p> <p>We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council.</p> <p>There have been no changes to the valuation method this year.</p> <p>We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. We have considered the completeness and accuracy of the underlying information used to determine the estate, including reviewing and challenging the floor areas.</p> <p>We have discussed the appropriateness of the indices and assumptions used by the Council's valuer and are awaiting responses to our queries before we can conclude on this work, but have already identified some errors as set out on pages 10 and 11.</p>	TBC

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 – £842.8m	<p>The Council's net pension liability at 31 March 2021 is £842.8m (PY £913.7m) [comprising the West Midlands Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council. We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the West Midlands Pension Fund valuation as it applies to City of Wolverhampton Council. <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2.00%</td><td>1.95% - 2.05%</td><td>● (G)</td></tr> <tr> <td>Pension increase rate</td><td>2.80%</td><td>2.85% - 2.8%</td><td>● (G)</td></tr> <tr> <td>Salary growth</td><td>3.80%</td><td>3.85%-3.8% scheme specific</td><td>● (G)</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>45: 23.4 65: 21.6</td><td>21.9 – 24.4 20.5 – 23.1</td><td>● (G)</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>45: 25.8 65: 23.9</td><td>24.8 - 26.4 23.3 – 24.4</td><td>● (G)</td></tr> </table> <ul style="list-style-type: none"> No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate. There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above. The Council has updated some of its disclosures in relation to estimation uncertainty with regards to pension assets, to more clearly identify what the material estimation uncertainty is, Subject to this revision we are content with the adequacy of the disclosure of the estimate in the financial statements. 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.00%	1.95% - 2.05%	● (G)	Pension increase rate	2.80%	2.85% - 2.8%	● (G)	Salary growth	3.80%	3.85%-3.8% scheme specific	● (G)	Life expectancy – Males currently aged 45 / 65	45: 23.4 65: 21.6	21.9 – 24.4 20.5 – 23.1	● (G)	Life expectancy – Females currently aged 45 / 65	45: 25.8 65: 23.9	24.8 - 26.4 23.3 – 24.4	● (G)	Light Purple
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.00%	1.95% - 2.05%	● (G)																								
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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
Land and Buildings – Council Housing - £844.3m	<p>The Council owns in excess of 22,000 properties and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council has engaged Jones Lang Lasalle to complete the valuation of these properties. The total net book value of Council Dwellings was £844.3m, a net increase of £15.6m from 2019/20 (£828.7m).</p> <p>Management and the valuer have considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's dwellings.</p>	<ul style="list-style-type: none"> We have engaged our own valuer to assist with our work and challenge in this area. We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. The housing stock has been divided using the external valuer's judgements and knowledge by applying the beacon methodology. This approach is consistent with the prior year. We have considered the indices that the valuer has used in performing the valuation and are in the process of discussing the appropriateness of these with the Council and its valuer. We have considered the completeness and accuracy of the underlying information used to determine the estimate. We have no matters to bring to your attention except for those already reported to you on pages 10 and 11 of this report, though we note that work in this area is currently ongoing. 	TBC
Provisions £11.7m This is not material but we note that the most significant of these provisions relates to NNDR appeals of £8.0m.	<p>The Council is responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, AnalyseLocal to help inform the level of provision required, but does not rely on them as a management expert.</p> <p>The calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.</p>	<p>There is a degree of uncertainty inherent in estimating the potential expenditure required to settle business rates appeals. This is because the outcome of the appeals is determined solely by the Valuation Office, therefore at year end the Council makes assumptions on the provision required for potential refunds to rate payers based upon historical and current information available at that point in time.</p> <p>The final outcome of the appeals could differ to the assumptions made and could impact on future years accounts. The Council has quantified the risk and determined that the actual value of appeals could be materially different to the estimate in the accounts, if assumptions in relation to the proportion of successful appeals turn out to be incorrect.</p> <p>On those grounds the Council has disclosed an estimation uncertainty in Note 15C.</p>	Grey

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

Covid-19 Grants Income Recognition and Presentation- £156.4m

Light Purple

Summary of management's approach

The Council notes in the Narrative Report that it has received £64m of income for which it is acting as an agent. It is important to determine whether the authority is acting as principal or agent as different accounting treatment follows. An authority acts as an agent when it is does not control goods or services before they transfer to the service recipient. In this instance, transactions are not included in an authority's financial statements.

The Council conducted a review of all grants to determine whether it was acting as principal or agent in each of the transactions, taking into account such factors as the amount of discretion it had in terms of distribution of the grant.

We reviewed the grants comprising the £64m and were satisfied based on our review, that it was appropriate for the relevant income and expenditure to not be recognised in the financial statements.

Note 2H is where the covid grants, for which the Council has determined it is acting as principal, are disclosed, of which there are approximately £92.4m. £84.1m of this was credited to net cost of services, and £8.3m was credited to taxation and non-specific grant income.

Audit Comments

We identified the following issues in relation to the treatment of Covid-19 grants:

- Tax Income Guarantee Scheme Grant £4.7m – this grant has been calculated in accordance with the calculator issued by MHCLG following the Government stating that local authorities would be compensated for 75% of irrecoverable losses on the collection fund in 2020-2021 due to impact of the pandemic. This is a specific grant to offset the deficit on the collection fund and therefore the Council has deemed it to be specific and credited it to net cost of services. We contend that this is not ringfenced as there were no restrictions on how it could be spent. Therefore we would expect to see it as part of taxation and non-specific grant income (especially as it relates to taxation). The Council are proposing an amendment which will transfer this income from net cost of services to taxation and no specific grant income.
- S31 grant for Covid-19 business rates reliefs £30.7m – this is a grant provided by Government to local authorities to cover the cost of business rates reliefs granted in response to the Covid-19 pandemic. While not ringfenced this has been considered by the Council to be a specific grant to cover the cost of reliefs and the deficit on the collection fund which will be realised in the General Fund in 2021-2022 and future years. On these grounds it has been deemed to be specific expenditure and income, and therefore included in the net cost of services. Our view is that the purpose of this funding was to offset the business rates that the Council would otherwise have received, which would therefore have shown in taxation and non-specific grant income. As with the Tax Income Guarantee Scheme grant it is not ringfenced in terms of how it needs to be spent, and therefore it should not be charged to net cost of services. The Council are proposing an amendment which will transfer this income from net cost of services to taxation and non-specific grant income.

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

Covid-19 Grants Income Recognition and Presentation- £156.4m

Audit Comments (continued)

- Sales, fees and charges grant £5.6m - this was claimed by the Council for loss of income and therefore the Council has shown it against the losses of the relevant service lines. We would not expect this to be shown here. The loss of income per service was a mechanism by which central government determined what the level of funding should be, but the funding is not associated with eligible expenditure and therefore no restrictions were given as to how it was spent. Therefore it is not tied to being spent on those specific services, and therefore we believe should be taxation and non-specific grant income. However, we accept that there are different judgements that could be reached in this regard, and therefore the Council are including a critical judgement in this respect.
- Emergency funding grant £16.2m – this has been charged to net cost of services to offset where pressures in services existed and therefore and therefore has been allocated to the relevant services accordingly. We would not expect this to be the treatment applied. As above in relation to sales, fees and charges, it was the Council's choice to spend what was spent on those particular services, but it is not ringfenced and not tied to being spent on those specific services, and therefore we believe should be taxation and non-specific grant income. However, we accept that there are different judgements that could be reached in this regard, and therefore the Council are including a critical judgement in this respect.

Note that the total amendments of £16.6m mentioned above have no impact on the Council's overall Comprehensive Income and Expenditure as they are reclassifications only. Additionally, we have sampled Covid-19 grants as part of our overall grants testing procedures and are satisfied with the treatment thereof, including:

- 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
- consideration of 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, (ie as taxation and non-specific grant income, or as part of cost of services).

We have no further findings to report.

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
Minimum Revenue Provision - £34.8m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance and the Council's policy for the calculation of MRP is set out in its annual budget setting report presented to Council.</p> <p>The year-end MRP charge was £34.8m, a net increase of £11.9m from 2019/20.</p>	<p>We have assessed this estimate, considering:</p> <ul style="list-style-type: none"> whether the MRP has been calculated in line with the statutory guidance whether the Council's policy on MRP complies with statutory guidance. whether any changes to the authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council the reasonableness of the increase in MRP charge <p>Subject to review, we have no findings to report.</p>	Grey

Assessment

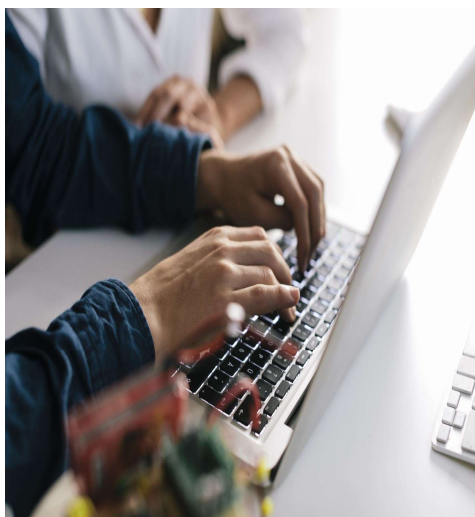
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- Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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 Risk Committee. We have not been made aware of any incidents in the period other than those identified by the Counter Fraud Service, 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. The Council has historically over-disclosed in this note and included details of transactions with organisations and individuals which did not meet the definition of related parties. This has been improved for this year but our view is that there are still disclosures which do not meet the definition of a related party. Organisations outside the group boundary are not a related party unless they are controlled by the key management personnel who are common to both. Over-disclosure leads to a risk that material information can be obscured by inclusion of immaterial information and therefore we continue to recommend that this note is reviewed.
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, including specific representations in respect of the Group, which is included in the Audit and Risk Committee papers.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to those organisation with which it banks, borrows and in which it invests. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	<p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions. See Appendix C for the most significant amendments made to disclosures.</p> <p>In addition a small number of amendments were made to improve clarity for the reader.</p>
Audit evidence and explanations/ significant difficulties	<p>Management has been co-operative in providing information throughout the course of the audit.</p> <p><u>Management's assumptions and estimates</u></p> <p>The revised auditing standard in relation to estimates has led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations.</p> <p>For property valuations in particular, there has been significant enquiry and challenge with both sets of valuers over the inputs and assumptions applied, as discussed on pages 10 and 14, and our work in these areas is incomplete pending receipt of outstanding responses to our queries and our consideration thereof.</p>

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

2. Financial Statements - other 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 - Group	<p>We are also required to be mindful of the group's ability to continue as a going concern. The group accounts consolidate the Council (going concern considerations for which are set out on the previous page) as well as Wolverhampton Homes Limited and the City of Wolverhampton Housing Company Limited.</p> <p><u>Wolverhampton Homes Limited</u></p> <p>Wolverhampton Homes Limited is reliant on the Council for a management fee, which typically provides around 87% of the Company's income. The management fees are fixed every twelve months, with the long-term levels of management fee set indicatively within the Council's Housing Revenue Account business plan.</p> <p>The component auditors have considered the medium-term financial strategy, the cash flow forecast and associated available headroom, management's going concern assessment presented to the September Board meeting, along with the letter of support from the Council.</p> <p>The Council has also undertaken its own assessment to assure itself that the going concern assumption is appropriate in relation to this Company.</p> <p>We have no findings to report.</p> <p><u>City of Wolverhampton Housing Company Limited (trading as WV Living)</u></p> <p>WV Living income is through loans provided by the Council as well as through house sales, the latter of which has been impacted due to the pandemic and resulting delays on building materials.</p> <p>We are awaiting assurances on the valuation of the company's assets and the security of the Council's investment to help inform our consideration of this matter.</p> <p>The Council's own assessment notes that there are positive cashflows but that there have been delays in some sales due to a shortage of building material supplies. We have requested an updated cashflow which compares the forecast used in the going concern consideration, to actuals to see what the impact of those delays have been.</p>

2. Financial Statements - other responsibilities under the Code

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



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the group reporting threshold, we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>Note that we have been unable to commence this work as the guidance and reporting instructions have not yet been released. We are aware that the Council have recently been notified that the pack will not be made available to them until December.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of City of Wolverhampton Council in the audit report, pending completion of the WGA work and issuance of our Auditor's Annual Report.</p>

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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 presented as a separate agenda item. We expect to issue our Auditor's Annual Report by 31 December 2021. 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 underway and an update is set out below.

Risk of significant weakness	Work performed to date
<p>Financial Sustainability (risk as noted in our Audit Plan)</p> <p>The Authority has historically managed its finances well, but for several years the Council has reported significant medium-term financial challenges and this has been exacerbated by the pandemic: the Council has suffered loss of operational income, and has had to deal with the allocation, distribution and provision of emergency loans and grants at sometimes relatively short notice, while continuing to provide "business as usual" services such as social care and education. As reported to Cabinet on 17 February 2021, that while the budget for 2021/22 is in balance within the use of general reserves, a further £25.4 million needs to be identified for 2022/23 rising to £29.6 million over the medium term in order to address the projected budget deficit.</p> <p>The Council will need to maintain focus on delivering its budget, and be agile in the face of any continuing impacts of the pandemic. We will review the Council's Medium Term Financial Statement and financial monitoring reports and assess the assumptions being used and savings being achieved.</p>	<p>We noted that we would review the Council's Medium Term Financial Statement and financial monitoring reports and assess the assumptions being used and savings being achieved.</p> <p>We have considered</p> <ul style="list-style-type: none">• how the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them• how the Council plans to bridge its funding gaps and identifies achievable savings• how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities• how the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system• how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans <p>We are in the process of drawing our findings together but have not identified any significant weaknesses from the work done to date. As part of our VFM work we have also considered the Council's overall governance arrangements, how it has responded to the Covid-19 pandemic and how it ensures economy, efficiency and effectiveness in its service delivery. We have conducted a comprehensive document review and have spoken to members of the strategic executive board, and sought corroborating evidence to the discussions held about the arrangements in place.</p>

3. VFM - our procedures and conclusions

Risk of significant weakness

Group governance

(risk as noted in our Audit Plan)

In our prior year audit findings report we raised a number of recommendations for the Council to consider as part of its ongoing investment in and work with City of Wolverhampton Housing Company Limited.

We are aware that in addition to considering the action required in relation to these recommendations the Council is also heeding the results of the public interest reports that have been issued recently, (Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021), which are the first issued since 2016 [Lessons from recent Public Interest Reports | Grant Thornton](#)).

Along with other weaknesses, the PIRs have drawn attention to failings in the governance arrangements where subsidiaries and associated entities are involved as well as a lack of understanding of how to manage financial and commercial uncertainty and risk in the medium to long term.

We will follow up action taken by the Council in response to the recommendations made as well as assessing the governance arrangements in its place with its associated entities.

Work performed to date

We have reviewed the Council's Annual Governance Statement, which for this year is more thorough in terms of setting out the assurance arrangements in place in respect of the group.

We have spoken to senior officers to understand the activity in place for monitoring and overseeing the group, seeking corroborating documentation and evidence where necessary.

Our work in this area is ongoing and we have no matters to report at this stage.

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 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

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 group. The following audit-related services were identified which were charged from the beginning of the financial year to 29 September 2021, 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 capital receipts grant 2018-19	2,750	Self-Interest (because this is a recurring fee)	The work in respect of the year ending 31 March 2021 has not been agreed as at the time of writing in respect of Housing capital receipts but the purposes of completeness we disclose here our fees for the 2019/20 work which were accrued for in the 2019/20 financial statements but paid during the 2020/21 financial year. The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,750 in comparison to the total fee for the audit of £251,710 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed. Furthermore in consideration of the materiality of the amounts involved to our opinion there is an unlikelihood of material errors arising. Lastly 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	4,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,500 in comparison to the total fee for the audit of £251,710 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed. Furthermore in consideration of the materiality of the amounts involved to our opinion there is an unlikelihood of material errors arising. Lastly the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	16,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit of £251,710 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed. Furthermore in consideration of the materiality of the amounts involved to our opinion there is an unlikelihood of material errors arising. Lastly 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 4 recommendations for the group as a result of issues identified to date during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	<p>MIRS consistency checker</p> <p>A consistency tool was provided to the Council to aid in its preparation of the draft accounts. The purpose of the tool is to help ensure that the financial statements are internally consistent.</p> <p>The tool was not used until after the draft accounts were produced leading to amendments.</p>	<p>We recommend that the consistency checker tool is used in the process of the preparation of the accounts.</p> <p>Management response</p> <p>Officers will build checking time into next year's timetable to make use of the tool. We will also look at linking it to the closedown workbook, so it populates itself through accounts preparation and shows any inconsistencies.</p>
Medium	<p>Valuation process</p> <p>Findings continue to be reported in this area.</p>	<p>We recommend that officers enhance its scrutiny of the year end valuations as well as review the in-year processes for disposals to ensure that any disposals made are notified to finance on a timely basis and actioned accordingly.</p> <p>Management response</p> <p>Following last year's recommendation, the Council introduced extra challenge and scrutiny through the use of the Estates Team and Senior Management. The Council will continue to embed this new challenge process, including sign off sheets and has also set up a regular disposals meetings with service areas, so that all parties are kept informed. Officers will once again be running closedown and capital workshops for the 2021-22 closedown, where special training and emphasis will be given to capital closedown.</p>

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	<p>Related Parties</p> <p>We discussed with officers during planning, the need to revisit the related parties note as it involved over-disclosure thereby leading to the risk that material and pertinent information was being obscured.</p> <p>There are specific criteria set out in the Code, which must be met in order for a related party to be defined as such and the preparation of the related parties note needs to have mind to this guidance. Organisations outside the group boundary are not a related party unless they are controlled by the key management personnel who are common to both.</p>	<p>We recommend that the Council enhance its closedown procedures to ensure that only related parties meeting the definitions are considered, and only those transactions deemed to be material with such parties are disclosure.</p> <p>Management response</p> <p>Following last year's recommendation the Council reviewed the code and as a result reduced the content of the note. However, officers will review once again and provide a draft to Grant Thornton ahead of year end.</p>
Low	<p>Section 75 agreement</p> <p>As part of our review of the Better Care Fund pooled budget we requested sight of the accompanying section 75 agreement and noted that it was not signed.</p> <p>Best practice would be that the agreement is signed such that each party has confidence that it has been formally signed up to.</p>	<p>We recommend that the Council seek a signed agreement.</p> <p>Management response</p> <p>There was a delay to the signing of the section 75 agreement by the Council and the CCG. The main reason for this being that both parties agreed that in order to prioritise the response to the pandemic, neither side would make any material changes to the pooled budgets and the risk share agreement would not apply for 2020-2021. In addition the national Better Care Fund policy statement was not published until December 2020. A deed of variation was required to the existing Section 75 to formalise this and this should be signed imminently.</p>

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 issues in the audit of City of Wolverhampton Council's 2019/20 financial statements, which resulted in four recommendations being reported in our 2019/20 Audit Findings report.

We have followed up on the implementation of our recommendations and note 2 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Annual Governance Statement The Annual Governance Statement is required to set out the governance arrangements in respect of the group, and not just the Council.	Management response was to keep the group boundary under review and ensure that this is reflected in future Annual Governance Statements and that they include details in respect of all consolidated entities within the group accounts. We are satisfied from review of the Annual Governance statements that this is the case.
In progress	Related Parties We discussed with officers during planning, the need to revisit the related parties note as it involved over-disclosure thereby leading to the risk that material and pertinent information was being obscured. There are specific criteria set out in the Code at section 3.9.2, which must be met in order for a related party to be defined as such and the preparation of the related parties note needs to have mind to this guidance.	As discussed on page 22, our view is that there is still an element of over-disclosure in this note. Therefore recommendation rolled forward as part of current year action plan. We recommend that the Council enhance its closedown procedures to ensure that only related parties meeting the definitions are considered, and only those transactions deemed to be material with such parties are disclosure.
In progress	Valuation process A number of amendments were made as a result of our audit findings in this area.	We recommend that the Council increase the amount of its own quality assurance processes for future years to understand different methodologies and any significant variances in the valuations, such that any errors are identified and resolved prior to the audit process. Management response was to take on board the need for enhanced scrutiny, particularly when changing valuers with different methodologies. There continue to be a number of findings in this area and therefore we will roll forward this recommendation as part of the current year action plan.

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Additions to Council Dwellings and Other Land and Buildings</p> <p>The valuation reports for these assets did not originally reflect capital expenditure made during the year. Our expectation is that the value of such assets recognised on the Balance Sheet is consistent with the valuation as reported by the Council's external valuer and should include the full population of assets as at the balance sheet date, i.e. including any additions purchased in year.</p>	<p>We recommended that in future the Council seek to inform its valuers of any such changes in year to determine the impact of any on the valuation of assets as at the balance sheet date. Management response was that whilst the Council's treatment was in accordance with existing accounting policies already in place, we take onboard the requirement to change going forwards. The valuation of other land and building took place as at 1 January 2021. After the date of providing information a further £7.1m capital additions were purchased. This information was provided to the valuer such that they could determine the impact on their valuation.</p>
Ongoing	<p>Group governance arrangements</p> <p>Recommendations were raised in last year's private report to Audit and Risk Committee in relation to group governance:</p> <p>WV Living business plan: The Council should apply sensitivity analysis on the financial model to identify impacts of late delivery of homes on the loan repayments.</p> <p>Help to Own: The Council should consider the funding requirements and viability of this scheme, as the Scheme relies on the Council taking ownership of these homes at a discounted rate.</p> <p>Gross profit margin growth: The Council should seek more detail on how the gross profit margin improvement is forecast to happen.</p> <p>Governance: the Council should ensure that the majority of board directors have housing company expertise.</p>	<p>We are following up these recommendations as part of our value for money work under the Group Governance risk.</p>

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 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
TBC	[...]	[...]	[...]
TBC	[...]	[...]	[...]
Overall impact	£X,XXX	£X,XXX	£X,XXX

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Impact on total net expenditure	Reason for not adjusting
The Council has actioned a prior period adjustment to reflect that an assets disposed of during the year should have been classified as an asset held for sale in the previous period. As this is not material it does not meet the criteria of a prior period adjustment and therefore should have been corrected in year.	-	-£1.6m Assets Held for Sale opening balances +£1.3m Other land and buildings opening balances +£0.3m surplus assets opening balances		- Not considered to be material.
This amendment reverses the prior period adjustment made.				
Overall impact	£-	£-	£-	

C. Audit Adjustments



Misclassification and disclosure changes

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

Disclosure omission/misclassification	Adjusted?
Movement in Reserves (MIRS) and Note 8 MIRS and Note 8, the wording of “prior year adjustment” refers to an adjustment that was made in the prior year and therefore needs to be removed as does not relate to actions taken this year affecting the balance as at 31 March 2020.	TBC
Council and Group MIRS The Council has prepared a single MIRS for the purposes of showing the Council and Group figures. However, it is not clear from this presentation how the intra group transactions have been identified and in the group MIRS there should be an additional row ‘adjustments between group accounts and authority accounts’ which then returns the GF (And HRA also) to its statutory position. The change in presentation has been made to the prior year as well as the current year.	TBC
Expenditure and Funding Analysis (EFA) EFA adjustments between the funding basis and accounting basis reported as £3.5m do not mirror the adjustments between the accounting basis and funding basis reported in the MIRS as affecting the general fund and HRA which are (81.6m) and 20.7m respectively. Additional columns added to the EFA to more clearly demonstrate the relationship of the segmental analysis, the General Fund and the service analysis presented in the CIES.	TBC
Covid-19 grants As discussed on pages 18 and 19 Note 2 H reports Covid-19 grants of c£78m that have been credited to net cost of services and these include grants that are general unringfenced grants that should be reported within ‘taxation and non-specific grant income’ in the CIES.	TBC

C. Audit Adjustments

Disclosure omission/misclassification

Adjusted?

Note 8 – revaluation of investment properties

TBC

Note 8 reports a fall in the value of investment properties being recognised in the revaluation reserve of £1.6m, which is not compliant with the Code. We have reviewed the accounting treatment and are satisfied that it has been accounted for correctly by being credited to net cost of services with an equal and opposite adjustment to the capital adjustment account. Therefore the £1.6m is being classified within Note 8 to be shown on the “recognised in surplus/(deficit) on provision of services line”.

Revenue Expenditure Funded by Capital Under Statute (REFUCS)

TBC

REFCUS was shown as £19.3m. However this balance included £7.0m for the acquisition of WV Living shares, which is not revenue expenditure. The disclosure is being updated to split the amount shown as REFUCS between the actual REFUCS amount of £12.3m and the acquisition of shares of £7m.

Financial instruments

TBC

There have been carious adjustments to the financial instruments note to ensure agreement to supporting workpapers and enhance disclosure requirements to ensure more fulsome compliance with the Code:

- Current payables amended from £148.2m to £106.3m
- Receipt in advance does not meet the definition of a financial instrument £4.8m and therefore requires to be removed from disclosure as a financial instrument
- Split of current receivables was incorrect
- Note 10D reports £13.9m of financial assets measured at fair value and classed as level 3 in the fair value hierarchy. Disclosures required for level 3 are missing, including quantitative information about the significant unobservable inputs.
- Note 10G requires narrative to be included to explain how the fair value of PFI liabilities has been calculated

Capital commitments

TBC

The capital commitments disclosure note shows a capital commitment of £12.9m for i9 project. This £12.9m is the maximum commitment as per the legal agreement but not what should be disclosed as a capital commitment in the accounts as £9.2m of costs have already been incurred as at 31 March 2021. The remaining commitment is £3.8m

Critical Judgements and estimation uncertainty

TBC

These disclosures have been amended to ensure that only those judgments deemed critical (ie those considered to have a significant effect on this year’s accounts) have been included, and only those estimates with uncertainty that could materially change within the next 12 months because of changes to the assumptions that underpin them, are included.

C. Audit Adjustments

Disclosure omission/misclassification	Adjusted?
Investment Property Income and expenditure from Investment Property is £3.5m, and £0.5m respectively and has been recognised within the 'City Assets & Housing' line within Net Cost of Services. The classification is not in line with the Council's accounting policy which states that 'Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line.	TBC
Dedicated Schools Grant This disclosure has been amended to agree with the supporting workpapers.	TBC
CEO remuneration As the Chief Executive Officer earns in excess of £150k, there is a requirement that he is disclosed by name, rather than simply by role.	TBC
MIRS consistency We provided a MIRS consistency checker to the Council to use in its drafting of the accounts to ensure that the financial statements are internally consistent. This checked tool was not used until after the draft accounts were produced. Upon use of this tool, the following amendments were identified: <ul style="list-style-type: none"> - HRA I&E statement, contribution to Capital Financing line changed from £5.7m to £nil - HRA I&E statement, New line required within Income section, 'Contributions to expenditure - (£1.6m)' - HRA I&E statement, Net cost of HRA services to be amended from (£22.9m) to (£30.2m) - HRA I&E statement, Overall (Surplus)/Deficit for the year to be amended from (£13.9m) to (£21.2m) - Movement on the HRA Balance Statement, page 163, (Surplus)/Deficit for the year on the Income and Expenditure Account changed from (£13.9m), to (£21.2m) - Movement on the HRA Balance Statement, page 163, Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA balance for the year changed from £13.9m to £21.2m - Note H3, Net additional amount required to be debited or credited to the HRA balance changed from £13.9m to £21.2m - Note H3, Capital expenditure funded by the HRA changed from (£5.7m) to £6.3m - Note H3, Additional line for 'Capital Grants and Contributions' to be added for £1.1m - Note HE, Total line adjusted from £13.9m to £21.2m - Amendments needed to CAA Note 'Depreciation of NCA - General Fund' to £44.8m and 'Revaluation losses on NCA' to £12.4m, and Adjustments between Accounting Basis and Funding Basis under Regulations Note 'Revaluation of NCA' to £12.4m and 'Movement in the market value of Investment Properties & Council Dwellings' to £1.9m. 	TBC

C. Audit Adjustments



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 2019/20 financial statements

Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Impact on total net expenditure	Reason for not adjusting
Misclassification of Land: Industrial Units Fordhouse	-	PPE £0.6m Revaluation reserve -£0.6m	-	superseded by current year valuation
£1.5m of the WV Living stock was subsequently moved to HRA and sold to Council, therefore for purposes of group accounting should be classified as assets under construction and not inventory.	-	Inventory -£1.5m Assets Under Construction £1.5m	-	superseded by current year valuation
Overall impact	£-	£-	£-	

D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£215,710	£TBC
Audit of subsidiary company Wolverhampton Homes Limited	£28,680	£TBC
Audit of subsidiary company City of Wolverhampton Housing Company Limited (trading as WV Living) *	£23,000	£TBC
Audit of subsidiary company Yoo Recruit Limited (not consolidated on grounds of materiality and not therefore not included in auditor's remuneration note) *	£TBC	£TBC
Total audit fees (excluding VAT)	£TBC	£TBC

** The audit-related services in relation to housing capital receipts has yet to be planned in respect of the year ending 31 March 2021 and therefore the fees are yet to be confirmed. The fee charged in respect of the 2019-20 financial year was £2,750.

As at the balance sheet date and the date of writing we have not been appointed in respect of the 2020-21 financial year, the Council have not included the fee in their financial statements.

The reconciliation of fees to the financial statements is conducted overleaf.

* The Council has accrued for these fees under 'Additional Work'.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
• Housing capital receipts 2019-20 **	£2,750	£TBC
• Housing Benefit Subsidy Claim	£16,000	£TBC
• Teachers Pension Return	£4,500	£TBC
Total non-audit fees (excluding VAT)	£23,250	£TBC

D. Fees

Below is our reconciliation of the fees per this report and the financial statements

The extract below is taken from Note 2G of the draft financial statements *Amounts payable to the Auditors*.

2G Amounts Payable to the Auditors

The table below shows amounts payable to the Council's external auditors during the year.

2019-2020		2020-2021
Restated	Description	
£m		£m
0.170	External Audit (Council)	0.216
0.021	Certification of Grant Claims and Returns	0.023
0.051	Additional Work (*)	0.051
0.242	Total	0.290

* The fee payable to Grant Thornton UK LLP for additional work relates to:

- WV Living Audit Fee £22,500 (£22,500 2019-2020)
- Wolverhampton Homes Audit Fee £28,680 (£28,285 2019-2020)

We note that the fee in relation to WV Living is stated in the draft financial statements as £22,500 whereas the fee in the WV Living's audit team's plan is £23,000. We will advise the Council to update the disclosure accordingly.

E. Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Councillor Alan Butt
Chair of Audit and Risk Committee
City of Wolverhampton Council
Civic Centre
St Peter's Square
Wolverhampton
WV1 1SH

Dear Councillor Butt, Chair of Audit and Risk Committee as TCWG,

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 December 2021.

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

Yours faithfully

Jon Roberts
Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

