

Audit Findings (ISA 260) Report for Shropshire and Wrekin Fire and Rescue Authority

Year ended 31 March 2025

December 2025



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Audit Findings for Shropshire and Wrekin Fire and Rescue Authority for the 31 March 2025

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with the Standards, Audit and Performance Committee.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-2025.pdf).

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

Richard J J Anderson

Director and Key Audit Partner
For Grant Thornton UK LLP

Chartered Accountants

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Headlines

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Shropshire and Wrekin Fire and Rescue Authority (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of 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 Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Our audit work was completed in October and November as planned. Our findings are summarised within this report. We have identified 2 adjustments to the financial statements that have resulted in a £6,032k adjustment to the Authority's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Authority's General Fund Reserves.

Audit adjustments are detailed at pages 35 to 39. We have also raised recommendations for management as a result of our audit work. These are set out at page 40. Our follow up of recommendations from the prior year's audit are detailed from page 41.

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

- Receipt of managements cybersecurity assessment questionnaire
- Receipt of management's IFRS 16 assessment
- Receipt of remaining sample evidence (journals, pension fund account)
- Finalisation of work on remunerations disclosures
- Finalisation of Manager and Engagement Lead quality control reviews
- Receipt of management representation letter
- Review of the final set of financial statements.

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

Our anticipated financial statements audit report opinion will be unmodified.

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 Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority'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 Authority's arrangements under the following specified criteria:

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

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

Headlines

Statutory duties

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

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

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

We have completed the majority of work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the group audit has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

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

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Our 2024/25 audit of the Authority is expected to be completed more than two months in advance of the backstop date.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “A contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- Leases of low value assets
- Short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

We are yet to receive the Authority’s IFRS 16 assessment of the impact it will have on the financial statements. However, the Authority have disclosed within their accounting policies note, that no leases are held and therefore the introduction of the standard will not have a material effect on the authority.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated March 2025, we determined materiality at the planning stage as £690k based on 2.3% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. Gross expenditure had not increased significantly from the prior year. We deemed it prudent to keep the same level of materiality as we had at the planning stage of the audit. A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £690k based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.
- We have used 2.3% of prior year gross expenditure as the basis for determining materiality.
- The authority will prepare an expenditure-based budget for the year, with its primary objective to provide services for its local community and therefore gross expenditure is deemed as the most appropriate benchmark.
- The basis for determining materiality has not changed from the prior year. We have increased our determined percentage from 2% in the prior year.

Performance materiality

- We have determined performance materiality at £517k, this is based on 75% of headline materiality.

Specific materiality

- We deem Senior Office Remuneration to be a particularly sensitive area for the users of the accounts, and we will therefore apply a lower materiality threshold. Materiality has been calculated to be £14k based on 2.3% of total Senior Officer Emoluments figure included in the Officers Remuneration note of the financial statements. Performance materiality will be 75% of this (£10k).

Reporting threshold

- We will report to you all misstatements identified in excess of £34k, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

| | Authority (£) | Qualitative factors considered |
|--|---------------|--|
| Materiality for the financial statements | 690,000 | When determining materiality, consideration has been given to factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements. |
| Performance materiality | 517,000 | <p>We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment.</p> <p>There has not historically been a large number or significant misstatements identified because of the financial statement audits.</p> |
| Specific materiality for Senior Officer Remuneration | 14,000 | Due to the sensitive nature of the Officers Remuneration disclosure, we have applied a lower materiality. |
| Reporting threshold | 34,000 | We have used 5% of materiality level as our threshold for reporting issues. |

Overview of significant risks identified

Overview of audit risks

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

| Risk title | Risk level | Change in risk since Audit Plan | Fraud risk | Level of judgement or estimation uncertainty | Status of work |
|--|-------------|---------------------------------|------------|--|----------------|
| Management override of controls | Significant | ↔ | ✓ | High | TBC |
| The revenue cycle includes fraudulent transactions | Significant | ↔ | Rebutted | N/A | N/A |
| The expenditure cycle includes fraudulent transactions | Significant | ↔ | Rebutted | N/A | N/A |
| Valuation of land and buildings | Significant | ↔ | ✗ | High | TBC |
| Valuation of the pension fund net liability | Significant | ↔ | ✗ | High | ● |

- ↑

 Assessed risk increase since Audit Plan
- ↔

 Assessed risk consistent with Audit Plan
- ↓

 Assessed risk decrease since Audit Plan
- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

| Risk identified | Audit procedures performed | Key observations |
|---|---|---|
| <p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p> | <p>We have:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation 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; and • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. | <p>We have found that the following prior year recommendations are yet to be fully addressed. These relate to:</p> <ul style="list-style-type: none"> • Not having appropriate controls in place to review journals created by the Head of Finance • Journals being able to be posted into prior periods • Not all batch journals being evidenced as reviewed. <p>We are still finalising our audit procedures in this area. Our audit work performed to date has not identified any instances of management override of controls.</p> |

Significant risks

| Risk identified | Audit procedures performed | Key observations |
|--|--|---|
| <p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition.</p> | <p>As reported in our audit plan, we have identified and completed a risk assessment of all revenue streams for the Authority. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams.</p> <p>This is due to the low fraud risk in the underlying nature of the transactions, or immaterial nature of the revenue streams both individually and collectively.</p> | <p>Based on the factors to the left, we did not consider this to be a significant risk for Shropshire and Wrekin Fire and Rescue Authority.</p> |

Significant risks

| Risk identified | Audit procedures performed | Key observations |
|--|--|---|
| <p>The expenditure cycle includes fraudulent transactions</p> <p>Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.</p> | <p>As reported in our audit plan, we have identified and completed a risk assessment of all expenditure streams for the Authority. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p> | <p>Based on the factors to the left, we did not consider this to be a significant risk for Shropshire and Wrekin Fire and Rescue Authority.</p> |

Significant risks

| Risk identified | Audit procedures performed | Key observations |
|---|--|--|
| <p>Valuation of land and buildings</p> <p>The Authority revalues its land and buildings on an annual basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £32m in the current period) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We have:</p> <ul style="list-style-type: none"> • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • Tested revaluations made during the year to see if they had been input correctly into the Authority's balance sheet. | <p>Our work in this area is still ongoing. We have noted from our work that the prior year recommendation in relation to retaining evidence to support build dates for assets is still relevant for the current year.</p> <p>From the work performed to date, we have noted 1 material adjustment in relation to the valuation of land and buildings, specifically in relation to the treatment of the upward revaluation of the Telford and Wrekin Fire Station asset. This asset had a £6,110k valuation increase in year because of the revaluations work performed by Capita. This asset had previously incurred losses charged to the income and expenditure statements as a result of downward valuations that occurred in prior years. As the losses previously incurred exceed the increase in valuation in the current year, the upward valuation should be charged to Comprehensive Income and Expenditure Statement, rather than the revaluation reserve. This does not impact the carrying amount of the asset in the Balance Sheet and has no impact on useable reserves.</p> <p>Management have agreed to correct this and details can be found within the audit adjustments section of this report (page 36).</p> <p>There are no other matters to report at the date of this report.</p> |

Significant risks

| Risk identified | Audit procedures performed | Key observations |
|---|--|---|
| <p>Valuation of net pension liability</p> <p>The Authority’s share of the pension fund net liability, as reflected in its Balance Sheet as the pension liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£161.1m in the Authority’s Balance Sheet at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions. This liability is made up of the Local Government Pension Scheme asset (£0.0m) and the Firefighters Pension Scheme liability (£161.1m).</p> <p>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.</p> <p>The Authority has had to consider the potential impact of ‘IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset’, of which they have engaged their Actuary to perform an assessment on.</p> | <p>We have:</p> <ul style="list-style-type: none">• Updated our understanding of the processes and controls put in place by management to ensure that the Authority’s pension fund net liability is not materially misstated and evaluated 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 Authority’s pension fund valuation;• Assessed the accuracy and completeness of the information provided by the Authority 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; <p>(continued on next page)</p> | <p>We are in the process of finalising our audit procedures on this area.</p> <p>We have considered the IAS19 assurances from the auditor of Shropshire Pension Fund. As part of their work, they have identified a total unadjusted misstatement of £4.489m in relation to the Pension Fund, when comparing asset valuations to confirmations. The Authority’s calculated share of this difference is 0.88% and apportioning this misstatement would indicate that assets reported by the actuary may have been understated by £0.039m. This would have no impact on the Balance Sheet, as the Authority’s LGPS Pension Asset is capped at nil due to the application of IFRIC 14.</p> <p>There are no other matters to report at the date of this report.</p> |

Significant risks

| Risk identified | Audit procedures performed | Key observations |
|--|---|------------------|
| <p>Valuation of net pension liability (continued)</p> <p>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.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 12.59% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's net pension liability as a significant risk.</p> | <ul style="list-style-type: none"> Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; Obtained assurances from the auditor of Shropshire Pension Fund as to the controls surrounding the completeness and accuracy of membership data, contributions data and benefits data sent to the actuary by the LGPS pension fund and the fund assets valuation in the pension fund financial statements. This relates to the local government pension fund asset only; Re-performed the IFRIC 14 assessment undertaken by the Authority's Actuary for reasonableness and accuracy; and For the firefighters' pension fund, we undertook additional substantive procedures, including analytics to test the accuracy and completeness of membership data, contributions paid, benefits paid and the lump sum and commutations paid. | |

Other findings

Other areas impacting the audit

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

| Issue | Commentary | Auditor view |
|--|---|--|
| <p>Events after the balance sheet date, completeness of provisions and contingent liabilities</p> <p>As outlined in Note 1, Events After the Balance Sheet Date, an adjusting event has occurred that provides further evidence of conditions that existed at the end of the reporting period. This event relates to a payment following staff issues that occurred during 2024/25. Provision has been made for the expenditure incurred.</p> | <p>We have:</p> <ul style="list-style-type: none">• Agreed the amendment to provisions referred to in Note 1.• Asked management to prepare a working paper detailing the impact on the financial statements and notes of all potential claims against the Authority.• Reviewed and tested the completeness and accuracy of the Authority’s provisions and contingent liability disclosures.• Reviewed legal account codes to gain assurance that there are no undisclosed liabilities, provisions and contingent liabilities.• Inquired with management and legal officers to gain assurance that there are no further events after the reporting period that would require adjustment to balances and disclosures. | <p>From the work performed, we are satisfied that the updated disclosure is reasonable and no further updates are required to the provisions balance or contingent liabilities note. We will request confirmation from Management that there are no further events after the balance sheet date requiring disclosure, prior to sign off.</p> |

Other findings – key judgements and estimates

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

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

| Key judgement or estimate | Summary of management’s approach | Auditor commentary | Assessment |
|--|--|---|------------|
| Valuation of land and buildings £32.5m at 31 March 2025 | Other land and buildings comprises £32.5m of specialised assets such as fire stations and fire towers, 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. There are no non-specialised assets. The Authority has engaged Capita valuers to complete the valuation of properties as at 31 March 2025 on a five yearly cyclical basis. The Authority undertook a full revaluation of its entire asset portfolio during the 2024/25 financial year. | <p>We have:</p> <ul style="list-style-type: none">• Evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;• Evaluated the competence, capabilities and objectivity of the valuation expert;• Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met;• Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;• Tested revaluations made during the year to see if they had been input correctly into the Authority’s balance sheet. <p>Our work in this area is still ongoing.</p> | ● TBC |

Other findings – key judgements and estimates

| Key judgement or estimate | Summary of management's approach | Auditor commentary | Assessment | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---|------------|---------------|-----------|------------|---------------|------|-------------|------------|-----------------------|------|-------------|------------|---------------|-------|-------------|------------|--|------|-----------|------------|--|------|-----------|------------|---|
| Valuation of net pension asset £0m at 31 March 2025 (Shropshire County Pension Fund, Local Government Pension Scheme (LGPS)) | <p>The Authority's net pension asset at 31 March 2025 is capped at nil, comprising the Authority's share of the Shropshire County Pension Fund . Prior to the application of IFRIC 14, the Authority's net asset was £3.8m. This was subsequently capped at nil following the IFRIC14 assessment that took place. The Authority uses Mercer to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at 31 March 2022. Small changes in assumptions can result in significant valuation movements. There has been a £30.2m net actuarial gain during 2024/25, £3.4m of which relates to LGPS.</p> | <p>We have:</p> <ul style="list-style-type: none"> Undertaken an assessment of management's expert Assessed the actuary's approach taken to confirm reasonableness of approach Used PwC as auditors expert to assess the assumptions made by actuary – summarised below: <table> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.9%</td><td>5.70%-5.90%</td><td>Reasonable</td></tr> <tr> <td>Pension increase rate</td><td>2.7%</td><td>2.60%-2.70%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>3.85%</td><td>3.85%-4.10%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>23.1</td><td>21.1-23.2</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>26.0</td><td>25.2-26.1</td><td>Reasonable</td></tr> </table> <ul style="list-style-type: none"> Tested the completeness and accuracy of the underlying information used to determine the estimate. <p>The Authority has a net defined benefit asset of £3.849m relating to the LGPS at 31 March 2025. The IFRIC 14 application confirms that this surplus should be restricted to nil, since there is no economic benefit available to the Authority.</p> | Assumption | Actuary value | PwC range | Assessment | Discount rate | 5.9% | 5.70%-5.90% | Reasonable | Pension increase rate | 2.7% | 2.60%-2.70% | Reasonable | Salary growth | 3.85% | 3.85%-4.10% | Reasonable | Life expectancy – Males currently aged 45/65 | 23.1 | 21.1-23.2 | Reasonable | Life expectancy – Females currently aged 45/65 | 26.0 | 25.2-26.1 | Reasonable | <p>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> |
| Assumption | Actuary value | PwC range | Assessment | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 5.9% | 5.70%-5.90% | Reasonable | | | | | | | | | | | | | | | | | | | | | | | | |
| Pension increase rate | 2.7% | 2.60%-2.70% | Reasonable | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary growth | 3.85% | 3.85%-4.10% | Reasonable | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Males currently aged 45/65 | 23.1 | 21.1-23.2 | Reasonable | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Females currently aged 45/65 | 26.0 | 25.2-26.1 | Reasonable | | | | | | | | | | | | | | | | | | | | | | | | |

Other findings – key judgements and estimates

| Key judgement or estimate | Summary of management's approach | Auditor commentary | Assessment | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|------------|---------------|-----------|------------|---------------|------|-------------|------------|-----------------------|------|-------------|------------|---------------|------|-------------|------------|--|------|-----------|------------|--|------|-----------|------------|---|
| Valuation of net pension liability £161.1m at 31 March 2025 (West Yorkshire Pension Fund, Firefighters Pension Scheme Liability (FFPS)) | <p>The Authority's net pension liability at 31 March 2025 is £161.1m (PY £182.6m) comprising the Firefighters Pension Scheme Liability. The Authority uses Mercer to provide actuarial valuations of the Authority's liabilities derived from this scheme. A full actuarial valuation is required every four years.</p> <p>The latest full actuarial valuation was completed as at 21 December 2023. Given the significant value of the pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £30.2m net actuarial gain during 2024/25, £26.8m of which relates to firefighters' pensions schemes.</p> | <p>We have:</p> <ul style="list-style-type: none"> Undertaken an assessment of management's expert Assessed the actuary's approach taken to confirm reasonableness of approach Used PwC as auditors expert to assess the assumptions made by the actuary – summarised below: <table> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.8%</td><td>5.70%-5.90%</td><td>Reasonable</td></tr> <tr> <td>Pension increase rate</td><td>2.7%</td><td>2.60%-2.70%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>4.1%</td><td>3.85%-4.10%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>22.4</td><td>22.4-23.0</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>22.4</td><td>22.4-25.3</td><td>Reasonable</td></tr> </table> <ul style="list-style-type: none"> Tested the completeness and accuracy of the underlying information used to determine the estimate. | Assumption | Actuary value | PwC range | Assessment | Discount rate | 5.8% | 5.70%-5.90% | Reasonable | Pension increase rate | 2.7% | 2.60%-2.70% | Reasonable | Salary growth | 4.1% | 3.85%-4.10% | Reasonable | Life expectancy – Males currently aged 45/65 | 22.4 | 22.4-23.0 | Reasonable | Life expectancy – Females currently aged 45/65 | 22.4 | 22.4-25.3 | Reasonable | <p>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> <p>cautious</p> |
| Assumption | Actuary value | PwC range | Assessment | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 5.8% | 5.70%-5.90% | Reasonable | | | | | | | | | | | | | | | | | | | | | | | | |
| Pension increase rate | 2.7% | 2.60%-2.70% | Reasonable | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary growth | 4.1% | 3.85%-4.10% | Reasonable | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Males currently aged 45/65 | 22.4 | 22.4-23.0 | Reasonable | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Females currently aged 45/65 | 22.4 | 22.4-25.3 | Reasonable | | | | | | | | | | | | | | | | | | | | | | | | |

Other findings – key judgements and estimates

| Key judgement or estimate | Summary of management's approach | Auditor commentary | Assessment |
|--|---|---|--|
| Depreciation £2.9m at 31 March 2025 | The Authority's depreciation charge at 31 March 2025 is £2.9m (PY £2.7m). Depreciation is provided for all Property, plant and equipment assets apportioned over their useful lives, with the exception made for assets without a determinable finite useful life and for assets under construction. Both fire stations and other buildings and vehicles, plant and equipment are depreciated via the straight line method over the life of the asset. Fire stations and other buildings useful lives are estimates by a valuer and vehicles, plant and equipment and advised by a qualified officer. | <p>We have:</p> <ul style="list-style-type: none"> Evaluated management's processes and assumptions for the calculation of the estimate Challenged the information and assumptions used by the valuer and management to assess completeness and consistency with our understanding Performed an analytical review to assess the reasonableness of the estimate made in year. | <p>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> |

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

| IT application | Level of assessment performed | Overall ITGC rating | ITGC control area rating | | |
|----------------|--|-----------------------------|-----------------------------|---|-----------------------------|
| | | | Security management | Technology acquisition, development and maintenance | Technology infrastructure |
| Agresso | ITGC assessment (design and implementation effectiveness only) | <div><div></div>Green</div> | <div><div></div>Green</div> | <div><div></div>Green</div> | <div><div></div>Black</div> |

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

| Issue | Commentary |
|---|--|
| Matters in relation to fraud | We have previously discussed the risk of fraud with the Standards, Audit and Performance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures. |
| Matters in relation to related parties | We are not aware of any related parties or related party transactions which have not been disclosed. |
| Matters in relation to laws and regulations | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work. |
| Written representations | A letter of representation has been requested from the Authority which is included in the Standards, Audit and Performance Committee papers. |
| Confirmation requests from third parties | We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. To date, we are yet to receive confirmations from Santander only. |
| Significant difficulties | As part of our ongoing work on the valuations of land and buildings, we requested information from managements expert in relation to their qualifications and experience, independence, methods and source data used as well as key assumptions when making the estimate. This was originally requested during the planning phase of the audit back in March with a response received late in November. This information underpins the work we perform around the significant risk area of valuations of land and buildings. We would request that management work with their valuation expert, to ensure that this response is provided to us sooner in future years. |

Other responsibilities

| Issue | Commentary |
|---------------|--|
| Going concern | <p data-bbox="563 368 2405 549">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 2024). 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 data-bbox="563 568 2201 596">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="563 615 2405 925" style="list-style-type: none"> <li data-bbox="563 615 2405 801">• 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 <li data-bbox="563 819 2405 925">• 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 Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="563 992 723 1022">(continued)</p> |

Other responsibilities

| Issue | Commentary |
|---------------|---|
| Going concern | <p data-bbox="563 368 2415 511">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 Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="563 532 2033 711" style="list-style-type: none">• the nature of the Authority and the environment in which it operates• the Authority's financial reporting framework• the Authority's system of internal control for identifying events or conditions relevant to going concern• management's going concern assessment. <p data-bbox="563 775 2135 799">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="563 821 2313 903" style="list-style-type: none">• a material uncertainty related to going concern has not been identified; and• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |

Other responsibilities

| Issue | Commentary |
|---|--|
| Other information | <p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p> |
| Matters on which we report by exception | <p>We are required to report on a number of matters by exception:</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 significant weaknesses. <p>Please refer to Auditors Annual Report for our Value for Money findings.</p> <p>There are no other matters to report by exception.</p> |

Other responsibilities

| Issue | Commentary |
|---|---|
| Specified procedures for Whole of Government Accounts | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>The new Code of Audit Practice has now been published, alongside updated Auditor Guidance Notes. While the threshold for WGA procedures has remained at £2bn, the NAO is taking the option to ask additional questions for a sample of audits after our opinion is issued.</p> |
| Certification of the closure of the audit | <p>We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the group audit has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code.</p> <p>We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.</p> |

Audit adjustments

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.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Balance Sheet £'000 | Impact on total net expenditure £'000 | Impact on general fund £'000 |
|---|---|------------------------|---|---------------------------------|
| Dr. Expenditure (CIES) | 78 | | 78 | |
| Cr. Provisions (Balance Sheet) | | (78) | | 0 |
| No impact on general fund as this amount is transferred from the Pensions and Other Staff Issues Reserve. | | | | |
| Dr. Revaluation Reserve (Balance Sheet) | | 6,110 | | 0 |
| Cr. Other Comprehensive Income and Expenditure (CIES) | (6,110) | | (6,110) | |
| No impact on general fund as this amount is transferred to the Capital Adjustment Account. | | | | |
| Overall impact | (6,032) | 6,032 | (6,032) | 0 |

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 | Misclassification or change identified | Adjusted? |
|--|--|-----------|
| Balance Sheet | We have identified a misclassification error in relation to grants received in advance. £598k of this balance should be included within the “Short Term Creditors” line item. | ✓ |
| Cash Flow Statement | “Financing Activities” value has been incorrectly disclosed as “£12k”. This should agree with the total of Note 29 which is “£32k”. | ✓ |
| Note 3b – Expenditure and Income Analysed by Nature | We have identified a misclassification error in relation to pensions related payments. £440k has been incorrectly included within “Other service expenses” and should have instead been included in “Employee benefit expenses”. | ✓ |
| Note 8 – Officers Remuneration | We have identified errors in relation to the number of employees included within 11 of the different bandings. We have also identified the need for an additional banding not previously disclosed of “£170,000 - £174,999”. | ✓ |
| Note 8 – Senior Officers’ Emoluments | The Authority had previously disclosed more individuals within this note in 2023/24 than what is required under the CIPFA Code. The number of individuals in this note has been reduced to reflect the requirement of the Code. | ✓ |
| Note 12 – Transactions Relating to Retirement Benefits Table | The “2015 2024/25” and “Total 2024/25” columns under the “Fire Pension Schemes” are incomplete and contain no figures. | ✓ |
| Note 15 – Valuation of Non Current Assets carried at Current Value | All land and building has been included in “Carried at current value as at 31 March 2025” however Baschurch Fitness Pod (addition in 24/25) was not revalued and should be included within the “Carried at historical cost” row, with a value of “£48k”. | ✓ |
| Note 15 – Property, Plant and Equipment | We have identified a software asset with the value of £125k which has been included within the property, plant and equipment balance at year end. This should have been disclosed in a separate note for intangible assets. | ✗ |

Audit adjustments

| Disclosure | Misclassification or change identified | Adjusted? |
|--|---|-----------|
| Note 15 – Capital Commitments | We have identified that a commitment of £74k in relation to “Emergency Response Vehicles” was not processed until 25/26 and therefore should be included within this note. | ✓ |
| Note 15 – Capital Commitments | We have identified that the “Command & Control System Replacement” figure requires an additional amount disclosing of £67k to account for a commitment not previously included. | ✓ |
| Note 26 – Cash Flow Statement – Non Cash Items | The table should include a line for “Movement in provisions” with a value of “£120k”. | ✗ |
| Annual Governance Statement | The AGS should include a concluding paragraph. | ✓ |
| Throughout | A number of typographical errors have been identified throughout the financial statements. We will confirm all expected changes to be made in the final set of accounts. | ✓ |

Audit adjustments

Impact of unadjusted misstatements

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

| Detail | Comprehensive Income and Expenditure Statement £'000 | Balance Sheet £'000 | Impact on total net expenditure £'000 | Impact on general fund £'000 |
|--|---|------------------------|---|------------------------------------|
| Dr. Pensions Asset | | 39 | | |
| Cr. Remeasurement of the net defined benefit liability | (39) | | | |
| Being differences identified between the value of pension fund investment and the valuation statements received from the third party investment managers. This would have no impact on the Balance Sheet, as the Authority's LGPS Pension Asset is capped at nil due to the application of IFRIC 14. | | | | |
| Dr. Income | 52 | | 52 | (52) |
| Cr. Debtors | | (52) | | |
| For one of the debtors sample items, the Authority were unable to provide evidence to support the validity of this debtor and therefore the corresponding income associated with it. We have raised a recommendation in the "Action Plan" as noted on page 40. | | | | |
| Overall impact of current year unadjusted misstatements | 52 | (52) | 52 | (52) |

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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 |
|--|---|--|
| <div><div>●</div><div>Low</div></div> | <div>Register of Interests and Gifts</div> <div>We have noted that there is no up-to-date version of the register of interests and gifts available on the Authority’s website.</div> | <div>We recommend that the register of interests and gifts is kept up-to-date and published at least annually.</div> <div>Management response</div> <div>Officers will ensure that the gifts and hospitality register maintains current and updated.</div> |
| <div><div>●</div><div>Medium</div></div> | <div>Contract Management</div> <div>From our testing of debtors, we identified that the Authority were unable to provide evidence to support the validity of a debtor item. There had been no formal contract entered into by either party that would have verified this to be genuine income expected to be received by the Authority.</div> | <div>We recommend that the Authority ensures formal contracts are in place for all arrangements where they would expect to be compensated for any services being provided.</div> <div>Management response</div> <div>The debt in question will be reviewed and necessary adjustments made, and the contracts register is being updated as part of the introduction of a procurement function into the Service.</div> |

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in 6 recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to set out an update here.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---------------------|--|--|
| Partially Addressed | <p>Review of cybersecurity controls</p> <p>We have noted the following control deficiencies in our cybersecurity workplan:</p> <ol style="list-style-type: none">1. There is a lack of a specialised IT team (internal or outsourced) to focus on cybersecurity and as such no periodic reviews or monitoring is undertaken regards cyber risks and threats.2. The Authority relies solely on penetration testing to address the threat of cyber risk.3. Baseline security configuration documents do not exist for all key computers or platforms. This increases the potential risk that cyber risks are managed inconsistently across teams / divisions / groups. <p>Recommendation</p> <p>There is need for management to ensure that there is periodic monitoring of cyber risks and threats as this can affect the continuity of operations if any adverse event is to occur. Additionally, there is need for management to ensure that baseline security configuration policies are in place.</p> | <p>The Authority has confirmed that they have since contracted a third party to provide 24/7 managed detection and response services. The following responses have been provided to address the prior year recommendations:</p> <ol style="list-style-type: none">1. There are no specialised roles for cyber security currently, management have confirmed that it may be looked at if fundings allows for it.2. The Authority has confirmed that there are a range of controls that are now in place to address the threat of cyber risk.3. The specific compliance policies that are in place have not been documented due to lack of resource. This would be actioned in line with point 1. <p>We are yet to receive the cybersecurity questionnaire from management so are currently unable to corroborate whether the same deficiencies are still present in the current period.</p> |

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---------------------|---|--|
| X Not yet addressed | <p>Journal approvals</p> <p>During our walkthrough of journals, we have noted that the journal entries or other adjustments posted via a batch are not being reviewed before being sent to Telford & Wrekin Council for processing which increases the risk for error.</p> <p>Recommendation</p> <p>We recommend that management should have measures in place to review batch journals and this be evidenced before information is sent to the service organisation.</p> | <p>We have noted similar findings in the current year audit that not all individual journals are evidenced as cross-checked to supporting evidence. This will remain as a recommendation for the 24/25 audit.</p> |
| X Not yet addressed | <p>Journals Authorisation</p> <p>We noted that journals being created by the Head of Finance were not being reviewed and approved before being submitted to Telford & Wrekin Council to be posted to the ledger.</p> <p>Recommendation</p> <p>We recommend that management should have measures in place to review journals posted by the Head of Finance.</p> | <p>The S151 Officer post is out for recruitment currently and once this process is complete there will be another layer of approval to apply to the journals process. In the meantime, the Chief Fire Officer reviewed and approved the Head of Finance’s corporate journals workbook.</p> <p>As part of our journals work, we have seen evidence to confirm that the above response from management is accurate and the review has taken place in year.</p> <p>This recommendation will only be fully addressed when the S151 officer is in post and reviewing the journals of the Head of Finance.</p> |

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---------------------|---|--|
| X Not yet addressed | <p>Back posted journals</p> <p>When performing our walkthrough in February 2024 we have noted that some journals were back posted to April 2023 period for reversing pensions related accruals, although no evidence of back posting in any other period was identified during the period under review. Management has stated that as the financial year is rolled forward from the preceding one to the current one following audit, opening balances are created in period 0. There are a number of accounts that require these opening balances to be reversed, for example those relating to the Authority’s Pensions Account. In order to correct these, Telford & Wrekin Council would be instructed to post back into period 0.</p> <p>Recommendation</p> <p>We recommended that management introduce controls in the system which restrict back dated posting up to a certain time period at year end and these reversals should be processed and reviewed in the first month of rolling forward and not be processed later on in the year.</p> | <p>The Authority have reviewed this as part of this year’s process. However, until the ledger is closed for the preceding year, they are not aware of the adjustments that need to be made. The ledger was closed following the 23/24 audit in Feb 25, which is when the journals were then posted into period 0.</p> <p>Based on discussions with management, the Authority are going to inquire as to whether it is possible to change the coding structure for the Pensions Account. As it stands, these balances are coded as if they are ‘Balance Sheet’ codes which therefore means they are brought forward as opening balances. If they were to change the structure of these codes to ‘Income and Expenditure’ codes, then there would be no brought forward balance so a journal correction would not be required.</p> |

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---------------------|--|---|
| X Not yet addressed | <p>Starters and Leavers</p> <p>As part of our substantive payroll testing we requested a listing of starters and leavers for the year. Testing identified that these reports also included employees who had changed roles (normally considered for our Payroll SAP purposes as amendments). Thus, a change in role for an employee, e.g. transfer to another post or promotion, could signify the end of one position and the start of a new position as a 'starter'. This meant a full and complete reconciliation of full time equivalents (FTE) that should just account for the end of prior year FTE plus starters, less leavers to get to the full FTE at the end of the year was problematic.</p> <p>Testing also identified 1 missing starter documentation from the sample. The Authority's payroll provider were unable to locate the appropriate contract documentation.</p> <p>Recommendation</p> <p>We recommend management treat changes in roles, as a change in circumstance only and not as a leaver and starter. We also recommend management review & keep the necessary documentation for the starters for future audit purposes.</p> | <p>Worcester Internal Audit Shared Services (WAIASS) carried out an internal audit review into SMLs, of which management are working through the recommendations from this and also analysing the issues that have been experienced in Jan to July 2025.</p> <p>Once this work has progressed, management have indicated they will be making recommendations to improve the process, in line with the audit recommendation from prior year. This will remain as a recommendation for the 24/25 audit.</p> |

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---------------------|--|--|
| X Not yet addressed | <p>Valuation of land & buildings</p> <p>We have noted the following control deficiencies:</p> <p>Management were unable to provide evidence for the build dates of some of the assets in the sample selected for testing.</p> <p>We noted some discrepancies in the build dates used by the valuer and held by management.</p> <p>The last physical inspection carried out by the valuer was 31 March 2018.</p> <p>Recommendation</p> <p>We recommend management retain evidence to support all build dates.</p> <p>We recommended management review the valuation to ensure there are no discrepancies between their own data and data used by the valuer.</p> <p>We recommended management request a full physical inspection of all asset next year and have a rolling program for this every year going forward.</p> | <p>The valuations process has been reviewed with management’s external valuer, Capita, and it was agreed that half of the Service's stations would be physically inspected and revalued at 2024/25 year end, with the other half being physically inspected and revalued at the 2025/26 year end.</p> <p>Data contained within the valuation reports has been checked against information held by the Authority and differences challenged by management.</p> <p>The recommendation regarding evidence to support build dates is yet to be addressed and has remained valid for the 2024/25 audit. Management have been unable to provide evidence to support build dates.</p> |

Assessment

✓ Action completed

X Not yet addressed

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR accompanies this audit findings report as a separate committee paper.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

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

Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no independence matters that we would like to report to you.

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

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

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

Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

There are no non-audit services carried out for the Authority.

| Audit fees | £ |
|-----------------------|---------|
| Audit of Authority | 97,901 |
| Total (excluding VAT) | 97,901* |

* We are currently considering the impact on our final audit fee, of the additional VFM work we have carried out in respect of the 5 identified risks of significant weakness





This covers all services provided by us and our network to the Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. Communication of audit matters with those charged with governance

| Our communication plan | Audit Plan | Audit Findings |
|---|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | ● | |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks | ● | |
| Confirmation of independence and objectivity | ● | ● |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | ● | ● |
| Significant matters in relation to going concern | ● | ● |
| Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures | | ● |
| Significant findings from the audit | | ● |
| Significant matters and issue arising during the audit and written representations that have been sought | | ● |
| Significant difficulties encountered during the audit | | ● |
| Significant deficiencies in internal control identified during the audit | | ● |
| Significant matters arising in connection with related parties | | ● |

A. Communication of audit matters with those charged with governance

| Our communication plan | Audit Plan | Audit Findings |
|---|------------|---|
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements | |  |
| Non-compliance with laws and regulations | |  |
| Unadjusted misstatements and material disclosure omissions | |  |
| Expected modifications to the auditor's report, or emphasis of matter | |  |

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Our team and communications

Grant Thornton core team

Richard Anderson
Engagement Lead/
Key Audit Partner

- Key contact for senior management and Standards, Audit and Performance Committee
- Overall quality assurance

Elliot Baker
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Aman Agarwal
Audit Senior

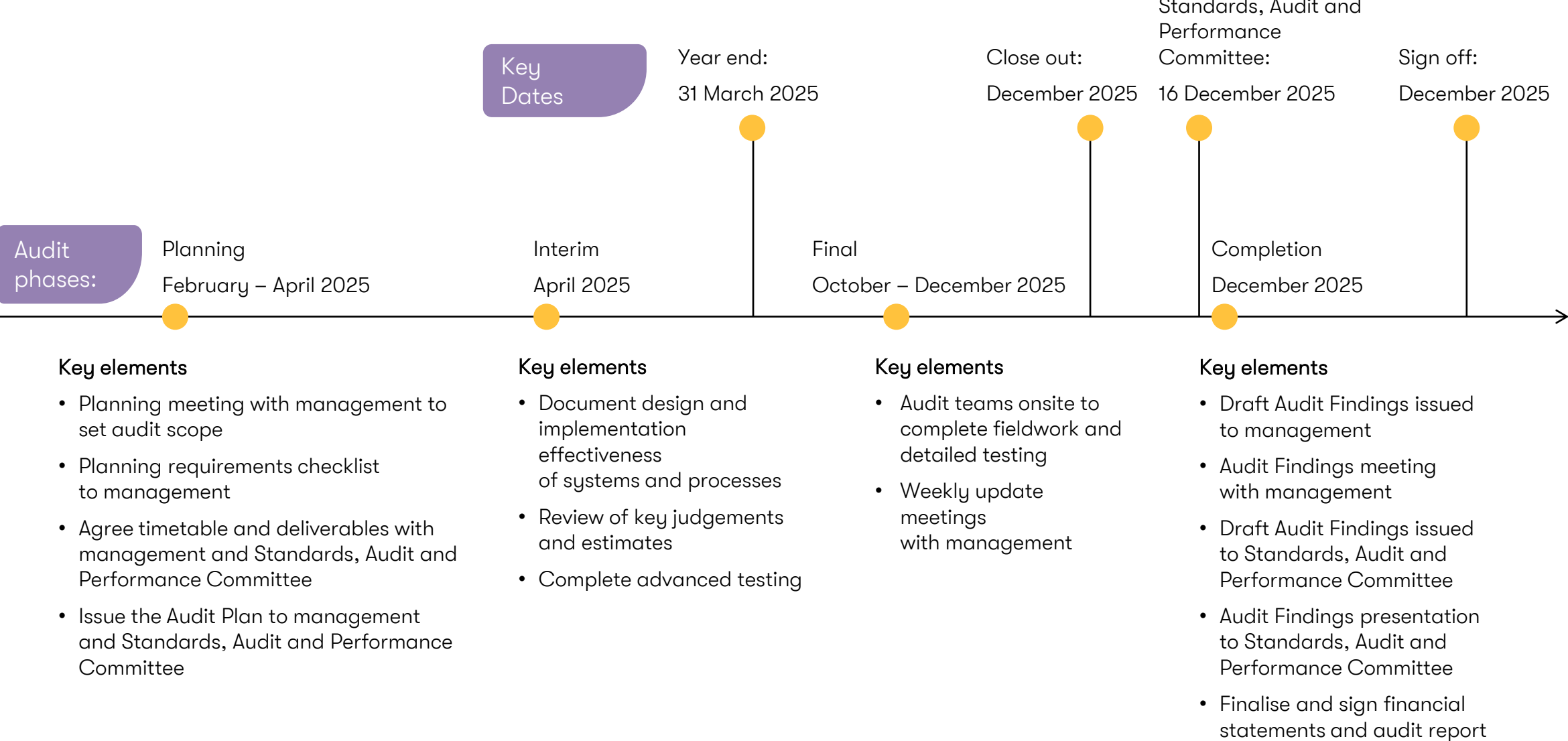
- Day-to-day point of contact
- Audit fieldwork

| Service delivery | | Audit reporting | Audit progress | Technical support |
|-------------------------|--|---|--|--|
| Formal communications | <ul style="list-style-type: none">• Annual client service review | <ul style="list-style-type: none">• The Audit Plan• The Audit Findings | <ul style="list-style-type: none">• Audit planning meetings• Audit clearance meetings• Communication of issues log | <ul style="list-style-type: none">• Technical updates |
| Informal communications | <ul style="list-style-type: none">• Open channel for discussion | | <ul style="list-style-type: none">• Communication of audit issues as they arise | <ul style="list-style-type: none">• Notification of up-coming issues |

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same was as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C. Logistics

The audit timeline



D. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report. This is included as a separate agenda item.

E. Audit opinion

To be added on completion of all audit work. We anticipate issuing an unqualified audit opinion.



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