# The Audit Findings (ISA260) Report for Wirral Council

**Year ended 31 March 2024**

**28 February 2025**

Private and Confidential

**Wirral MBC**

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## Audit Findings for Wirral Council for the 31 March 2024

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 have been discussed with management.

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.

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 drive audit quality by reference to the Audit Quality Framework. 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-2023.pdf (grantthornton.co.uk).

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.

**Sarah Ironmonger**

**Partner**
**For Grant Thornton UK LLP**

# Contents


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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.

# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wirral Council (‘the Council’) and the preparation of the Council's financial statements for the year ended 31 March 2024 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 Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), 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 remotely during July-September**.** Our findings are summarised on pages 7 to 27. We have not identified any adjustments to the financial statements that have resulted in adjustments to the Council’s Comprehensive Income and Expenditure Statement or the Council’s useable reserves.

We have identified a small number of disclosure and presentational adjustments which are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year’s audit are detailed at Appendix C.

Our work is now complete.

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.

# 1. Headlines

| Value for Money (VFM) arrangements | |
|---|---|
| Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.<br>Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:<br>• Improving economy, efficiency and effectiveness;<br>• Financial sustainability; and<br>• Governance | Our work on the Council's value for money (VFM) arrangements in reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR).<br><br>We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report (AAR), which is presented alongside this report. We identified significant weaknesses in the Council's arrangements for financial sustainability and improving economy, efficiency and effectiveness and are so are not satisfied that the Council has made proper arrangements for securing economy, effectiveness in the use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3). |

| Statutory duties | |
|---|---|
| The Local Audit and Accountability Act 2014 ('the Act') also requires us to:<br>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and<br>• to certify the closure of the audit. | We have made one written recommendation under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. This is in relation to the Council being in an extremely challenging financial situation with significant financial pressures creating budget overspends combined with low levels of reserves.<br>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion. |
| Significant matters | We did not encounter any significant difficulties or identify any significant matters arising during our audit. |

# 1. Headlines

National context – audit backlog

**Government proposals around the backstop**

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament] This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. We are pleased to confirm that the as the opinion on the 2022/23 financial statements has already been issued, the backstop for prior year audits does not impact the Council.

**New National Audit Office Code**

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The Council continues to utilise short- term borrowing due to competitive interest rates. Short term borrowing at 31 March 2024 was £149.7m, of which £94m was peer to peer borrowing. This use of short term borrowing underlines that the Council does not have significant reserves/cash balances to utilise and supports our findings through the value for money work on how low the Council reserves are currently.

# 2. Financial Statements

## Overview of the scope of our audit

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

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

## Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- 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 the 31 July 2024

## Conclusion

We have completed our audit of your financial statements.

**Acknowledgements**

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

# 2. Financial Statements

### Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 31 July 2024 but we have set specific materiality levels for Senior Officer Disclosures.

We set out in this table our determination of materiality for Wirral Council.

| | Council Amount (£) | Qualitative factors considered |
|---|---|---|
| Materiality for the financial statements | 11.629m | We have determined materiality as 1.25% of the gross operating expenditure for the year. This is in line with the standard approach and reflects the risks associated with the Authority's financial performance. |
| Performance materiality | 7.559m | Assessed as 65% of financial statement materiality and based on our knowledge of the Authority and consideration of previous audit findings and adjustments. |
| Trivial matters | 0.581m | Assessed as 5% financial statement materiality. |
| Materiality for the Senior Officer Remuneration Disclosures. | 24,630k | The senior officer remuneration disclosure has been identified as an area requiring specific materiality due to the sensitivity of disclosures in this area.. We have set a materiality of 2% total senior officer remuneration, using the prior year reported figure.. |

# 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**<br><br>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override 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 normal course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement. | We have:<br>• evaluated the design and implementation of management controls over journals<br>• analysed the journals listing and determined the criteria for selecting high risk unusual journals<br>• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration<br>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness<br>• evaluated the rationale for any changes in accounting policies, estimates, or significant unusual transactions<br>Results:<br>We identified no changes to the accounting policies or the estimation process from the prior year.<br>Our audit work has not identified any issues in respect of management override of controls.<br>We have nothing further to report on the matter. |

# 2. Financial Statements: Significant risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **ISA 240 Improper revenue recognition risk**<br>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.<br>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.<br>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition may not be rebutted completely, because we have identified that certain revenue streams such as fees, charges and other service income could be overstated in order to achieve the year end balanced position, given the ongoing financial pressures the Council faces.<br>We have therefore identified the completeness of these revenue streams as a significant risk.<br>For the remaining material revenue streams, we have acknowledged the following:<br>• there is little incentive to manipulate revenue recognition<br>• opportunities to manipulate revenue recognition are very limited<br>• the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable.<br>We have therefore rebutted the risk of improper recognition of revenue from Council tax payers, business rates payers and government grants. | Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition cannot be rebutted completely, because we have identified that certain revenue streams could be overstated.<br>We have carried out the following procedures to ensure that revenue included within the accounts is materially correct:<br>• evaluated the Council's accounting policy for revenue recognition for appropriateness and compliance with the Code;<br>• updated our understanding of the Council's system for accounting for revenue and evaluating the design of relevant controls;<br>• challenged key assumptions, the appropriateness of source data and the basis for calculations of revenue accruals;<br>• undertook detailed substantive testing on the revenue streams in 2023/24, with a particular focus on completeness of revenue, that it had been recorded in the correct financial year.<br>Results:<br>We have completed all of the procedures noted above to gain sufficient, appropriate assurance over income transactions.<br>Our work has not identified any issues in relation to improper revenue recognition, therefore we have nothing to report on this matter. |

# 2. Financial Statements: Significant risks

| Risks identified in our Audit Plan | Commentary |
| --- | --- |
| **Risk of fraud related to expenditure recognition – Practice Note 10**<br>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).<br>Having considered the risk factors set out in ISA 240 and PN10 and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure manipulation can mainly be rebutted as:<br>• there is little incentive to manipulate expenditure recognition<br>• opportunities to manipulate expenditure recognition are very limited<br>• the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable<br>However, we have determined that the risk of fraud arising from expenditure recognition may not be rebutted completely, because there may be a risk of non-pay expenditure being understated to achieve a balanced year end position given the ongoing financial pressures the Council faces. We have therefore identified the completeness of non-pay expenditure as a significant risk. | We have carried out the following procedures to ensure that expenditure included within the accounts is materially correct:<br>• evaluated the Council's policy for the recognition of non-pay expenditure;<br>• gained an understanding of the processes and controls put in place by management to ensure that the Council's non-pay expenditure has been appropriately recognised and matched to appropriate expenditure incurred;<br>• challenged key assumptions, the appropriateness of source data and the basis for calculations of expenditure accruals;<br>• substantively test increased samples of year end payables and non - pay expenditure balances;<br>• designed and carried out appropriate audit procedures to ascertain the recognition of expenditure is in the correct accounting period using cut-off testing<br>Results:<br>Our work has not identified any issues in relation to improper expenditure recognition therefore we have nothing to report on this matter. |

# 2. Financial Statements: Significant risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Valuation of Land and Buildings and Investment Property**<br>The Council revalues its land and buildings on a rolling five yearly basis. Investment properties are revalued annually to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date.<br>This valuation represents a significant estimate by management in the financial statements. The valuation of land and buildings is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time.<br>However, the valuation methodology for Local Government land and buildings is specified in detail in the CIPFA Code and the sector is highly regulated by RICS, therefore we will focus our audit attention on assets that have large and unusual changes and / or approaches to the valuation of land and buildings, as a significant risk requiring special audit consideration. | We have:<br>• evaluated management's processes and controls for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work;<br>• evaluated the competence, capabilities and objectivity of the valuation expert;<br>• written to the valuer to confirm the basis on which the valuations were carried out;<br>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;<br>• engaged our own Valuer to assess the instructions to the Council's Valuer, the Council's valuation report and the assumptions that underpin the valuation;<br>• evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets have been substantively tested to ensure the valuations are reasonable;<br>• tested a selection of other asset revaluations made during the year to ensure they have been input accurately into the Council's asset register, revaluation reserve, and Statement of Comprehensive Income;<br>• 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;<br>Results:<br>The Council uses its own In-House Valuers to value its Land and Buildings. The valuer prepared their valuations in accordance with the RICS Valuation - Global Standards using their existing knowledge of the Council's property portfolio. Those assets considered to be of high value were revalued, along with a sample of 20% of assets in accordance with their rolling programme as at 31 March 2024 with the Valuers undertaking site visits in order to carry out their valuations. For the remainder of the assets an assessment of the expected movement in values was performed, using the results of the sampled revaluations and knowledge of the market conditions both nationally and locally during the period up to 31 March 2024.<br>The valuer has opted to use insurance appraisals as a basis for the asset valuations instead of the industry standard BCIS rates. We have challenged the assumptions used in the calculations and obtained the evidence that the valuations have been appropriately adjusted for age and obsolescence factors and where appropriate the valuations adjusted for the modern equivalent for the DRC valuation assets. Our auditors' expert has confirmed that this is an appropriate basis for valuation.<br>We reviewed the other key assumptions used by the valuer in their valuation and source information, such as floor plans, used in the valuations. We are satisfied that the key assumptions and source information are appropriate.<br>We considered the movements in valuation and carried out the procedures set out above, including comparison of movements since the previous valuation with appropriate market movement [BCIS and Knight Frank] indices. This provides assurance that valuation movements are in line with expectations. |

# 2. Financial Statements: Significant risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Valuation of Land and Buildings and Investment Property**<br>The Council revalues its land and buildings on a rolling five yearly basis. Investment properties are revalued annually to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date.<br>This valuation represents a significant estimate by management in the financial statements. The valuation of land and buildings is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time.<br>However, the valuation methodology for Local Government land and buildings is specified in detail in the CIPFA Code and the sector is highly regulated by RICS, therefore we will focus our audit attention on assets that have large and unusual changes and / or approaches to the valuation of land and buildings, as a significant risk requiring special audit consideration. | Results (continued):<br>For the investment properties valuations which are revalued annually in accordance with the Code, we challenged the valuer on the revaluations of a sample of investment properties in order to understand the assumptions made and what supporting market evidence the valuer used in order to arrive at the value of the investment properties. We have corroborated this evidence using recognised industry expert's commercial yield rates and are satisfied that the assumptions used by the valuer are considered to be appropriate.<br>Our audit work has not identified any issues in respect of valuation of Land and Buildings and Investment Property. |

# 2. Financial Statements: Significant risks

| Risks identified in our Audit Plan | Commentary |
| --- | --- |
| **Valuation of pension fund net asset**<br>The Council's pension fund net surplus, as reflected in its balance sheet as the net defined benefit asset, represents a significant estimate in the financial statements.<br>The pension fund net surplus is considered a significant estimate due to the size of the numbers involved (£26.894m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.<br>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). However, for the second time since IFRS has been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.<br>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.<br>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.<br>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 asset. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.25% change in these two assumptions would have approximately 4% effect on the asset/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net asset as a significant risk. | We have:<br>• updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net asset is not materially misstated and evaluated the design of the associated controls;<br>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;<br>• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;<br>• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the asset;<br>• tested the consistency of the pension fund asset and disclosures in the notes to the core financial statements with the actuarial report from the actuary;<br>• undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report;<br>• obtained assurances from the auditor of Merseyside 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.<br>Results:<br>We have found no issues with the consistency of the pension fund asset disclosures in the notes to the core financial statements with the actuarial report from the actuary.<br>• Our assessment of the work of the actuary confirmed that they were competent;<br>• The work performed the assess the reasonableness of the actuarial assumption did not identify any issues;<br>• We obtained further information from management and the actuary to estimate that the asset cap was in excess of the asset recorded on the balance sheet and gained sufficient assurance that the figures recorded are materiality correct and prepared in line with all necessary accounting requirements.<br>Our audit work has not identified any issues in respect of valuation of the pension fund asset. |

# 2. Financial Statements: Significant risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **New Financial Reporting system (Oracle Fusion)**<br><br>**There is a risk of data migration associated with implementing a new financial reporting system.** | We have:<br>• gained an understanding of the relevant applications and supporting infrastructure (database and operating system) to support the testing of application controls and IT dependent controls;<br>• reviewed the operating effectiveness of IT general controls (ITGC) and covered the following areas:<br>  • Security management – privileged assess testing<br>  • Change management<br>  • Batch scheduling<br>  • New system implementation<br>• assessed the completeness and accuracy of data moved from Oracle EBS to Oracle Fusion as part of our opening balances review.<br>**Results:**<br>Our analysis of the other operating expenditure balance identified a number of significantly large debit and credit transactions, resulting in an absolute value of £28bn compared to the draft reported figure of £559,990k in Note 13, Expenditure and Income Analysed by nature.  In reviewing these large transactions, we identified that errors had occurred during the scanning process. whereby the incorrect total figures were generated. We have identified that mitigating controls are in place within Oracle Fusion which ensure the accuracy of the scanned invoices by implementing a matching process against purchase order details. Our testing has provided assurance that where these errors have occurred, these have all been resolved through the creation of offsetting entries journalled onto the ledger and we are satisfied that the initial issue has been resolved.<br>Our testing has not identified any issues in respect of the implementation of the new financial reporting system. Section 2 on page 21 confirms that no deficiencies in the system implementation were identified. |

# 2. Financial Statements – Other risks identified

| Risk identified in our Audit Plan | Commentary |
|---|---|
| **Financial arrangements in relation to commercial activities**<br><br>The Council is entering into a number of commercial activities where it is issuing guarantees or entering into complex transactions. These activities have significant potential liabilities for the Council.<br><br>The Council has sought external consultancy on the accounting given this is a complex and specialised area.<br><br>For some of the commercial schemes, these financial arrangements are now active as the contracts have been signed which is why we consider this to be an audit risk area. | We have:<br><br>• updated our understanding of the commercial activities currently being undertaken and the impact of these activities on the Council's financial position;<br><br>• reviewed management's assessment of financial arrangements;<br><br>• assessed the accounting treatment and disclosures for the arrangements and related complex transactions to ensure it meets the Code and relevant accounting standards' requirements.<br><br>Results:<br><br>We have gained assurance that the financial arrangements for the commercial activities are appropriately accounted for and meets the Code and accounting standards' requirements.<br><br>We have nothing further to report on this matter. |
| **The requirement to prepare group accounts.**<br><br>Transactions between the Council and its entities within the group boundary are forecast to be material for 2023/24. The Council's consideration of what does and does not fall within the group boundary becomes a significant judgement as the impact of the judgement determines whether group accounts are required in line with accounting standards. | We have:<br><br>• reviewed management's assessment of those entities within the Council's group boundary and the updated transactions for the year (2023/24) to determine whether they are material.<br><br>Results:<br><br>We have concluded that group accounts are not required for 2023/24. |

# 2. Financial Statements: key judgements and estimates

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

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|---|---|---|---|
| **Land and Building valuations – £560m** | Other land and buildings comprises £530m of 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. The remainder of other land and buildings (£26.9m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its own in-house valuer to complete the valuation of properties as at 31 March 2024 on a five yearly cyclical basis. 95% of total assets were revalued during 2023/24.<br><br>Management have considered alternative estimates through their discussions with the valuer.<br><br>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2024 by applying the percentage change identified for individual assets value to the class of assets non-valued combined with local knowledge of known market movements to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.<br><br>The total year end valuation of land and buildings was £560m, a net increase of £57m from 2022/23 (£543m). | The values in the valuation report have been used to inform the measurement of the land and building assets at valuation in the financial statements;<br><br>In understanding how management has calculated the valuations we have:<br>• assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate;<br>• ensured the underlying information and sensitivities used to determine the estimate were considered to be complete and accurate;<br>• confirmed the valuer has prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates;<br>• uplifted assets not valued in year using industry indices and considered local market factors to support management's assessment that there has been no material changes to the valuation of land and buildings not valued in year;<br>• reviewed the level of disclosure in the financial statements to confirm that it is appropriate.<br><br>We have nothing further to report on this matter. | We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

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

# 2. Financial Statements: key judgements and estimates

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|---|---|---|---|
| **Investment Property Valuation - £25.979m** | The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balances sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year at 31 March. The Council has engaged its in-house valuer to complete the valuation of properties as at 31 March 2024.<br><br>Management have considered alternative estimates through their discussions with the valuer.<br><br>The total year end valuation of investment property was £25.979m, a net increase of £5.979m from 2022/23 (£20m). | The values in the valuation report have been used to inform the measurement of the investment properties valuation in the financial statements.<br><br>In understanding how management has calculated the valuations we have;<br>• assessed the qualifications, skills and experience of the Valuer and determined the service to be appropriate;<br>• ensured the underlying information and sensitivities used to determine the estimate were considered to be complete and accurate;<br>• confirmed the valuer has prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates;<br>• reviewed the level of disclosures in the financial statements to confirm that it is appropriate.<br><br>We have challenged the Valuer on the market evidence used to supported the movement in the valuations. We have corroborated this evidence using industry expert's commercial yield rates and are satisfied that the assumptions used by the valuer are considered to be appropriate.<br><br>We have tested a sample of rental income received during 2023/24 which supports the classification of the assets as investment properties.<br><br>We have nothing further to report on this matter. | **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**

**Net pension surplus – £26.9m**

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

**Summary of management's approach**

The Council's total net pension asset at 31 March 2024 is £26.9m (PY was a liability of £29m) comprising the Mersey Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund surplus, small changes in assumptions can result in significant valuation movements.

There has been a £39m net actuarial gain during 2023/24.

**Audit Comments**

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

- assessed the actuary's (Mercers) approach taken, detail work undertaken to confirm reasonableness of approach;
- used PwC as auditors expert to assess actuary and assumptions made by actuary – use table to compare with Actuary assumptions:

| Assumption | Actuary Value | PwC range | Assessment |
|---|---|---|---|
| Discount rate | 4.9% | 4.9% | ✓ |
| Pension increase rate | 2.8% | 2.7 - 2.8% | ✓ |
| Salary growth | 4.2% | 3.85% - 4.2% | ✓ |
| Life expectancy – Males currently aged 45/65 | 22.2 / 20.9 | 22.0 / 23.5 | ✓ |
| Life expectancy – Females currently aged 45/65 | 25.2 / 23.4 | 25 – 26.2 | ✓ |

- assessed the completeness and accuracy of the underlying information used to determine the estimate, including liaison with the auditor of Mersey Pension Fund;
- undertook a reasonableness test of the Council's share of LGPS pension assets and the reasonableness of the movement in the estimate;
- assessed the adequacy of disclosure of estimate in the financial statements;
- we obtained further information from management and the actuary to estimate that the asset cap was in excess of the asset recorded on the balance sheet and gained sufficient assurance that the figures recorded are materiality correct and prepared in line with all necessary accounting requirements.

To conclude;

- We are satisfied that the estimate of your net pension asset is not materially misstated. We have nothing further report on this matter.

**Assessment**

**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 - £14.656m** | 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.<br><br>The total MRP includes a charge of £4.5m for the repayment of debt for the Merseyside Residual Debt Fund. This is offset by the repayments received by the constituent bodes for the same value as shown as capital receipts in Note 37 Capital Expenditure and Funding.<br><br>The MRP calculation method adopted by the Council for supported capital expenditure incurred after 1 April 2008 is based on the expected useful life of the relevant assets using an annuity method. For unsupported capital expenditure incurred after 1 April 2008, MRP is based on the expected useful life of the relevant asset of as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure<br><br>The year end MRP charge was £10.187m, a net increase of £0.840m from 2022/23. This represents a 3.7% charge against the CFR. According to the firm guidance we would expect for prudent measure of around 4% and above percent of CFR is appropriate.<br><br>The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financial capital assets will fall on future generations of tax-payers. | We have assessed the following:<br>• whether the MRP has been calculated in line with the statutory guidance;<br>• whether the Council's policy on MRP complies with statutory guidance;<br>• whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council;<br>• If there is a reasonable increase in the MRP charge.<br><br>We agree that the MRP has been calculated in line with the statutory guidance and that the Council's policy on MRP complies with statutory guidance.<br><br>The Council should continue to consider whether this MRP policy is appropriate / prudent and has been fully incorporated into the future financial plans of the Council.<br><br>Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025 , the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following.<br><br>This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute. | We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic |

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

# 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

| | | | ITGC control area rating | | | |
|---|---|---|---|---|---|---|
| **IT application** | **Level of assessment performed** | **Overall ITGC rating** | **Security management** | **Technology acquisition, development and maintenance** | **Technology infrastructure** | **Related significant risks/other risks** |
| **Oracle Fusion** | ITGC assessment (design effectiveness only) | | | | | • Self-assigned access within Oracle Fusion , see page 38 for risk and recommendation raised<br>• Segregation of duties conflict within Oracle Fusion, see page 39 for risk and recommendation raised |

We also performed specific procedures in relation to the significant activity during the audit period, specifically the new system implementation. We observed the following results:

| IT system | Event | Result | Related significant risks / risk / observations |
|---|---|---|---|
| Oracle Fusion | New system implementation | No deficiencies identified | None |

**Assessment**

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

# 2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

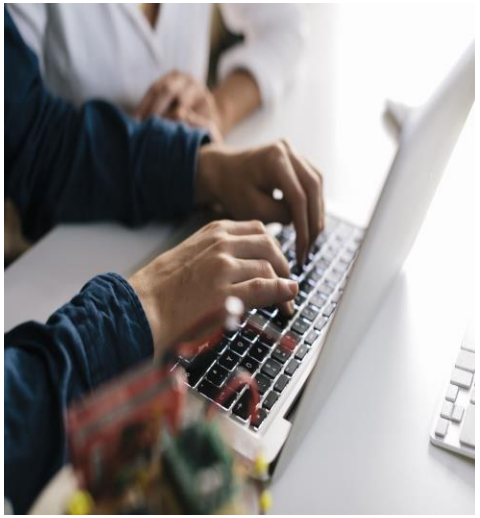
| Document requested | Date requested | Date received | Comments |
|---|---|---|---|
| **Closing trial balance for 2022-23** | 04/03/2024 | 13/03/2024 | Wirral MBC delivered the information on time and the data was complete. No issues noted with the format or quality of the data received. |
| **Opening trial balance for 2023-24** | 04/03/2024 | 13/03/2024 | Wirral MBC delivered the information on time and the data was complete. No issues noted with the format or quality of the data received. |
| **Closing trial balance for 2023-24** | 17/06/2024 | 01/07/2024 | There was a delay in receiving draft accounts from the Council, however on receipt of the data, there were no issues noted with the format or quality of data received. |
| **All general ledger transactions during 2023-24** | 17/06/2024 | 01/07/2024 | There was a delay in receiving draft accounts from the Council, however on receipt of the data, there were no issues noted with the format or quality of data received. |
| **Mapping between the trial balance and the financial statements for 2023-24** | 17/06/2024 | 01/07/2024 | There was a delay in receiving draft accounts from the Council, however on receipt of the data, there were no issues noted with the format or quality of data received. |
| **Draft accounts for 2023-24** | 17/06/2024 | 04/07/2024 | There was a delay in receiving draft accounts from the Council, however on receipt of the data, there were no issues noted with the format or quality of data received. |

# 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 Management Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures. |
| **Matters in relation to related parties** | We are not aware of any related parties or related party transactions which have not been disclosed. |
| **Matters in relation to laws and regulations** | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| **Written representations** | A letter of representation has been requested from the Council, which is set out at Appendix F |

# 2. Financial Statements: other communication requirements



| Issue | Commentary |
|---|---|
| **Confirmation requests from third parties** | We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted, and the requests were sent. All of these requests were returned with positive confirmation. |
| **Accounting practices** | We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements |
| **Audit evidence and explanations/ significant difficulties** | All information and explanations requested from management was provided. |

# 2. Financial Statements: other communication requirements

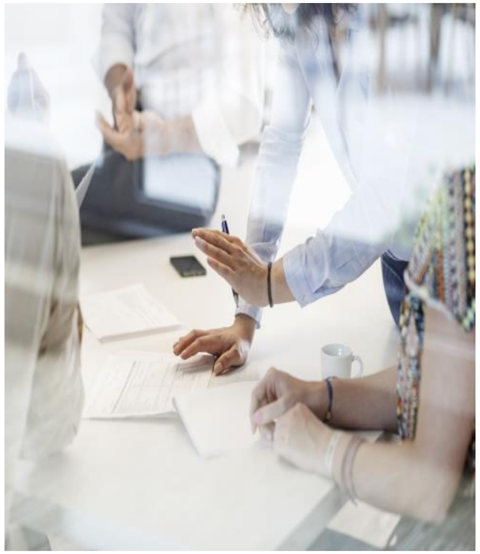
## Our responsibility

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

| Issue | Commentary |
| --- | --- |
| **Going concern** | In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.<br>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:<br>• 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<br>• 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.<br>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:<br>• the nature of the Council and the environment in which it operates<br>• the Council's financial reporting framework<br>• the Council's system of internal control for identifying events or conditions relevant to going concern<br>• management's going concern assessment.<br>Results<br>There is a presumption under Practice Note 10 that local authorities are a going concern as the accounting framework assumes that statutory services will continue to be delivered by the public sector. However, auditors are required to consider whether a material uncertainty related to going concern exists.<br>The Council continues to face significant financial challenges with reported in year deficit position and increasing demands on services. This is reflected in our value for money arrangements reporting and our continuing concerns about the financial sustainability and the need to take action to close the budget gap.<br>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:<br>• a material uncertainty related to going concern has not been identified<br>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |

# 2. Financial Statements: other responsibilities under the Code

| Issue | Commentary |
|---|---|
| **Other information** | We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, 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.<br>No inconsistencies have been identified. |
| **Matters on which we report by exception** | We are required to report on a number of matters by exception in a number of areas:<br>• 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,<br>• if we have applied any of our statutory powers or duties.<br>• where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. |



# 2. Financial Statements: other responsibilities under the Code

| Issue | Commentary |
|---|---|
| **Specified procedures for Whole of Government Accounts** | We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.<br>Note that work is not required as the Council does not exceed the threshold. |
| **Certification of the closure of the audit** | We intend to certify the closure of the 2023/24 audit of Wirral Council in the audit report, once the Value for Money work has been concluded. |

# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2023/24

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

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

### Improving economy, efficiency and effectiveness

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

### Financial Sustainability

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

### Governance

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

## Potential types of recommendations

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

### Statutory recommendation

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

### Key recommendation

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

### Improvement recommendation

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

# 3. VFM: our procedures and conclusions

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

The significant weaknesses we identified are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code, see Appendix G.

| Significant weakness identified | Procedures undertaken | Conclusion | Outcome |
|---|---|---|---|
| **Financial sustainability**<br><br>The Council has a significant budget gap (£26.6m) within the MTFS 2024/25 – 2028/29. Council general fund reserves are of a level that offers limited contingency, and the Council is also forecasting a significant adverse variance for 2024/25. These factors create significant financial risk to the Council. | We have held regular meetings with Directors and Senior Officers within the Council to update our knowledge of the arrangements in place.<br><br>We have reviewed reports presented at Council Committee meetings and the accompanying evidence, including the Annual Governance Statement.<br><br>We have considered the work of internal audit. | The MTFS 2024/25 to 2028/29, identifies a cumulative deficit of £26.6m or 7% of the 24/25 budget. The Council does not have sufficient unallocated reserves to manage this budget gap. A budget overspend of £12.5m is currently forecast in 2024/25. This forecast level of overspend could reduce reserves levels further and places the Council in a critical financial position.<br><br>Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements. | Statutory recommendation raised (see section 4)<br><br>We recommend the Council places an immediate focus on developing planned savings, and wider alternatives to the use of its reserves, in the management of budget gaps identified within the MTFS to support the Council to remain financially sustainable in the short to medium term. |
| **Financial sustainability**<br><br>The level of the Council's DSG deficit, and rate of increase, creates significant financial risk to the Council. The Council need to address these matters with urgency considering the statutory override is schedule to end 31 March 2026. Our work has also established inconsistencies in the Council's DSG deficit data and highlights opportunities for the Council to strengthen the forecasting of the DSG deficit matters. | As above | The Council DSG deficit is substantial and increasing, additionally information included in reports provided to members of the Schools Forum and central government have not been consistent.<br><br>Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements. | Key recommendation raised:<br><br>We recommend the Council needs to place a significant and urgent focus on developing and implementing interventions which will support the management and mitigation of the Dedicated Schools Grant (DSG) deficit.<br><br>Additionally, the Council should ensure that it resolves inconsistencies in its DSG deficit trajectory data and an update report is provided to the Schools Forum members to clarify the Council's actual DSG forecasts.<br><br>Finally, the financial risks relating to the DSG deficit should be added to the Council's Corporate Risk Register. |

# 3. VFM: our procedures and conclusions

| Significant weakness identified | Procedures undertaken | Conclusion | Outcome |
|---|---|---|---|
| **Improving economy, efficiency and effectiveness**<br><br>During 2023/24 the Council, and its partners, failed to demonstrate sufficient progress in improving special educational needs and disabilities (SEND) services. The Council has also been made aware of specific commissioned service delivery issues. Also, those charged with governance were provided with limited performance information reports details SEND service performance/improvement. | In addition to the procedures undertaken on the previous page, we have reviewed reports from third parties, including Ofsted. | The Department of Education have issued an improvement notice to the Council a result of poor progress against of significant concern identified in a 2021 external inspections of local area SEND services.<br>The Council has also been required to respond to commissioned SEND service delivery matters which are now subject to ongoing external investigations/reviews. The implications of any relevant findings from these formal investigations and reviews will be considered as part of our work once published.<br><br>During 2023/24 the Council didn't regularly provide performance data relating to SEND services / SEND improvement plan to those charged with governance. | Key recommendations raised:<br><br>We recommend the Council needs to satisfy itself that it has the necessary organisational transformational capacity, skills and resources to ensure Local Area SEND Improvement Plan can be delivered in accordance with DfE requirements and is sufficient to drive sustainable improvement in SEND service provision and to mitigate associated SEND service delivery risks.<br><br>We also recommend the Council ensures that sufficient performance data is regularly provided to those charged with governance in relation to the Local Area SEND Improvement Plan to enable members to effectively track level of improvement and to support effective governance of this key area of service delivery. |

# 4. Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance. The Auditor's Annual Report contains a more detailed commentary and management comments.

| Issue | Commentary | Summary Management Comments |
| --- | --- | --- |
| **Statutory recommendations** | The Council is in an extremely challenging financial situation with significant financial pressures creating budget overspends combined with low levels of reserves. There is a risk that the Council will need exceptional financial support to balance the financial position in 2024/25 and to set a balanced budget in 2025/26. We (the auditors) recommend the Council take immediate action to manage the risks this should include:<br>• Identify additional savings and efficiencies to mitigate forecast overspends in 2024/25, especially in consideration of the Council's low level of reserves and the unfunded budget gap within the Council MTFS.<br>• Ensuring the Council has the necessary organisation grip to progress the Council's planned transformation programme at scale and pace to identify budget savings and wider efficiencies.<br>• Satisfying itself that social care services have the required focus, skills and capacity to contain and then mitigate areas of overspend.<br>• Revising the robustness and relevance of performance reports, recently introduced and planned to be introduced, to ensure these are adequate in supporting the Council to respond to the serious financial challenges it faces.<br>• Reviewing the sufficiency of the finance team resources to the necessary capacity is in place to support the organisational responses to the critical financial position.<br>• Ensuring that member oversight of the Council's actions to address its financial challenges is optimal and reflects the significance of the situation. | It is acknowledged that the Council faces a significant financial challenge and that sustainable savings proposals are urgently required to manage the position, which exists against the backdrop of increased demand and costs for social care services, compounded by the previous significant reductions in Government funding and uncertainty around the future financial settlements.<br>The Council has implemented a number of measures in-year to mitigate the pressures that have been identified. These measures have been insufficient to address the increasing demand, particularly within Adult Social Care. The Council has approached the Ministry of Housing, Communities & Local Government (MHCLG) for Exceptional Financial Support for the 24/25 financial year to protect the remaining reserves that the Council holds.<br>The Council is in the process of developing a Budget Recovery action plan as part of this work which will be reflected in a refreshed Medium Term Financial Plan (MTFP).<br>The Council recognises that significant deliverable cost reductions need to be identified and approved for the Council to meet its statutory obligation to set a legal and balanced budget. |

# 5. Independence considerations

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

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

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

Details of fees charged are detailed in Appendix F.

### Transparency

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

# 5. Independence considerations

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

| Matter | Conclusion |
|---|---|
| Relationships with Grant Thornton | We are not aware of any relationships between Grant Thornton and the Company 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 Group or investments in the Group 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 Group 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 Group |
| 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 Group’s board, senior management or staff. |

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

# 5. Independence considerations

### Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to October 2024, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

| Service | Fees £ | Threats identified | Safeguards |
|---|---|---|---|
| **Audit related** | | | |
| Certification of Housing Benefit Claim | 39,750 | 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 £39,750 in comparison to the total fee for the audit of £453,104 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, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. |
| | | Management threat | GT are not taking any managerial responsibilities at the Council. The scope of work does not include making decisions on behalf of management |
| Certification of Teachers Pension Return | 13,500 | 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 £13,500 in comparison to the total fee for the audit of £453,104 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, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. |
| | | Management threat | GT are not taking any managerial responsibilities at the Council. The scope of work does not include making decisions on behalf of management |

# 5. Independence considerations

| Service | Fees £ | Threats identified | Safeguards |
|---|---|---|---|
| **Audit related** | | | |
| CFO Insights Subscription | 12,500 | 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 £12,500 in comparison to the total fee for the audit of £453,104 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, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. |
| | | Management threat | GT are not taking any managerial responsibilities at the Council. The scope of work does not include making decisions on behalf of management |

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Risk Management Committee.

None of the services provided are subject to contingent fees.

# Appendices

# A. Communication of audit matters to those charged with governance

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

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

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

### Respective responsibilities

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

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

### Distribution of this Audit Findings report

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

# B. Action Plan – Audit of Financial Statements

We have identified 4 recommendations for the group as a result of issues identified 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 2024/25. 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 |
|---|---|---|
| **Significant effect on financial statements** | **Self-assigned access within Oracle Fusion**<br>During the audit period, we identified that 19 users self-assigned a total of 265 roles. Out of the 19 accounts, 17 belonged to NAMOS (application support partner) in which 16 were individual accounts and 1 was generic account, while the remaining 2 accounts belonged to individuals from Wirral MBC & Merseyside PF.<br><br>However, we were unable to obtain approvals or justification for the self-assignment of roles. Furthermore, we understood that there was no process in place for self-assigning roles in Oracle Fusion.<br><br>**Risk**<br>User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data. | We recommend that:<br>• Management should develop formal user access management procedures to ensure activities are consistently performed, logged and monitored.<br>• Where new user access requests are initiated, management should have a process in place to record, approve and action the request based on user role, team and access level.<br><br>**Management response**<br>A formalised process is now in place to ensure that any requests for access to the Fusion system are recorded and given the necessary approval from the relevant team before the role is granted.<br><br>We have updated the Fusion user access policy document on the Intranet to instruct users under no circumstances should roles be self-assigned for the Fusion Financials System.<br>We have removed the IT Security Manager role from all the Namos accounts, so they are no longer able to self-assign roles |

Controls

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

# B. Action Plan – Audit of Financial Statements

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| Significant effect on financial statements | **Segregation of duties conflict within Oracle Fusion**<br>We identified that 18 individual users with Financial roles were granted administrative access to Oracle resulting in a SOD issue.<br>Further observed that the administrative rights were granted to excessive number of accounts. A total of 58 individual users (25 from NAMOS and 33 users from Wirral) with 25 roles were granted administrative access in Oracle Fusion.<br><br>**Risk**<br>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to<br>- unauthorised changes being made to system parameters<br>- creation of unauthorised accounts,<br>- unauthorised updates to their own account privileges<br>deletion of audit logs or disabling logging mechanisms. | We recommend that:<br>• Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles.<br>• Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business.<br>• If incompatible business functions are granted to users due to organisational size constraints, management should ensure that there are review procedures in place to monitor activities [e.g. reviewing system reports of detailed transactions; selecting transactions for review of supporting documents; overseeing periodic counts of physical inventory, equipment or other assets and comparing them with accounting records; and reviewing reconciliations of account balances or performing them independently]<br><br>**Management response**<br>All Namos administrative roles have been removed and a review is taking place to see which Wirral users need the administrative roles to carry out their duties.<br><br>We are going to produce a matrix of the administrative seeded roles and plan to create custom roles that only contain permissions needed to carry out the user's role.<br><br>We will also use this matrix to carry out reviews of which areas users access using audit logs. |

Controls

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

# B. Action Plan – Audit of Financial Statements

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| **Significant effect on financial statements** | A reconciling item of £10m was identified in the Receipts Bank Account and not in the Drawings Account. This had no impact on the accounts as both reports are mapped to cash and cash equivalent code within the balance sheet therefore no impact on the overall position.<br><br>Risk<br>The £10m was a reconciling item in the receipts account, there is a risk that both drawings and receipts account aren't in balance. | **We recommend that a reconcilation is carried out monthly between the drawings and receipts account to ensure that both are correctly reconciled.**<br>**Management response**<br>**This resulted from new clearing/holding codes being implemented due to the new Oracle Fusion system processes have now been implemented to reconcile the clearing accounts monthly alongside existing reconciliations of the Drawings and Receipts accounts.** |
| **Limited Effect on Financial Statements** | A variance has arisen between the capital financing requirement and the accounting treatment of movements in the non-current assets, capital adjustment account and revaluation reserve.<br><br>Risk<br>We do not know the implication of the error until the Council has confirmed what the error is. Possible risks could be **that they are reporting the wrong CFR amount, or it could be that at some point the accounting treatment of movements in non-current assess and the Capital Adjustment Account and the Revaluation Reserve have gone wrong.** | We recommend that management should identify the reason for this variance<br>**Management response**<br>This variance will be investigated by relevant Finance staff, and retrospectively corrected where appropriate, and further processes will be put in place to align the CFR amount and accounting treatment. |

Controls

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

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Wirral Council's 2022/23 financial statements, which resulted in three recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations and note that the Council have taken measures to address our recommendations.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---|---|---|
| ✓ | **Inadequate control over privileged / generic accounts within Oracle EBS and EBS database**<br>As reported on page 19, the risk of excessive use of accounts with privileged access increases the risk of bypassing system enforced internal control mechanisms and end users may be able to change system configuration settings without authorisation and approval. | We recommended that Management should undertake a review of all user accounts on Oracle EBS to identify all privileged / generic accounts and where possible privileged / generic accounts should be removed with individuals having their own uniquely identifiable user accounts.<br>Since the implementation of Oracle Fusion, this is no longer an issue. This has been confirmed by the Team Leader - Digital, Data and Technology. We have not identified this issue in our testing of Oracle Fusion. |
| ✓ | **Revenue and Expenditure Accruals**<br>A higher than expected number of errors was identified through our testing of the completeness of revenue and expenditure transactions. The risk is that revenue or expenditure could be under or overstated at the year end should activity occurring during the year not be accounted for correctly. | We recommended that a review of the accruals process should be undertaken to ensure activities are accounting for in the correct financial period.<br>Expenditure & income completeness testing has resulted in no errors suggesting that procedures put in place this financial year have addressed our recommendation. |
| ✓ | **Completeness of the Fixed Asset Register**<br>Issues have been identified with the completeness of the records held in the Council's Fixed Asset Register | We recommended that the Council performs a regular review of the fixed asset register for completeness.<br>We have performed nil NBV testing to determine whether there are assets in the FAR that are no longer in use. All sample items were still in use at the y/e and therefore appropriate to be included within asset register. This is an improvement upon the prior year and so we have gained assurance that progress has been made in terms of reviewing assets in the register. |

Assessment

✓ Action completed

X Not yet addressed

# D. 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 2024.

| Detail | Comprehensive Income and Expenditure Statement £000 | Balance Sheet £000 | Impact on total net expenditure £000 | Impact on general fund £000 |
|---|---|---|---|---|
| The draft accounts did not reflect a separate line in the balance sheet for short term (revenue) grants receipts in advance, it was included within the creditors total.<br>The updated accounts has included an additional line on the balance sheet to reflect Grant Receipt in advance (revenue) and reduce the creditor balance. | £0 | Dr 4,626k<br>Cr 4,626k | £0 | £0 |
| **Overall impact** | **£0** | **£0** | **£0** | **£0** |

# D. Audit Adjustments

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

### Misclassification and disclosure changes

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

| Disclosure/issue/Omission | Auditor recommendations | Adjusted? |
|---|---|---|
| **Minor presentational and disclosure amendments**<br>As a result of our review of the accounts we identified a number of minor presentational and disclosure improvements. | Management have amended the accounts to reflect these minor changes. | ✓ |
| Narrative Report<br>The Council had incorrectly stated that 'The net change in the scheme for 2023/24 was an increase of the assets by £58.0m.' However, this was incorrectly carried forward from prior year accounts. | Management have amended to reflect that the net change in the scheme for 2023/24 is £52.46m and this reflects the net change as per Note 41 Defined Benefit Pension Scheme. | ✓ |
| Narrative Report<br>The outturn details were not included in the draft accounts provided for audit as they were published prior to the outturn being reporting to Members / Policy and Resources Committee due to the General Election | Management have updated the Narrative Report to reflect the details of the published outturn that have now been agreed at the Policy and Resources Committee on the 17th July 2024. | ✓ |
| Note 1 Accounting Policies<br>The policy on the Capitalisation Directive doesn't state that Wirral MBC has not requested any exceptional financial support in 22/23 or 23/24 | Management have amended the of wording of the Accounting Policy to reflect that there has been no requests for exceptional financial support in 22/23 and 23/24. | ✓ |
| Note 7 Expenditure and Funding Analysis<br>The Flexible Use of Capital Receipts (FUCR) have been included on a separate line in EFA tables in 2023/24 to reflect outturn reporting. However, outturn was reported differently in 2022/23 so FUCR are included within the Resources line. | Management have restated 2022/23 to reflect the Flexible Use of Capital Receipts on a separate line to reflect 2023/24 reporting. | ✓ |

# D. Audit Adjustments

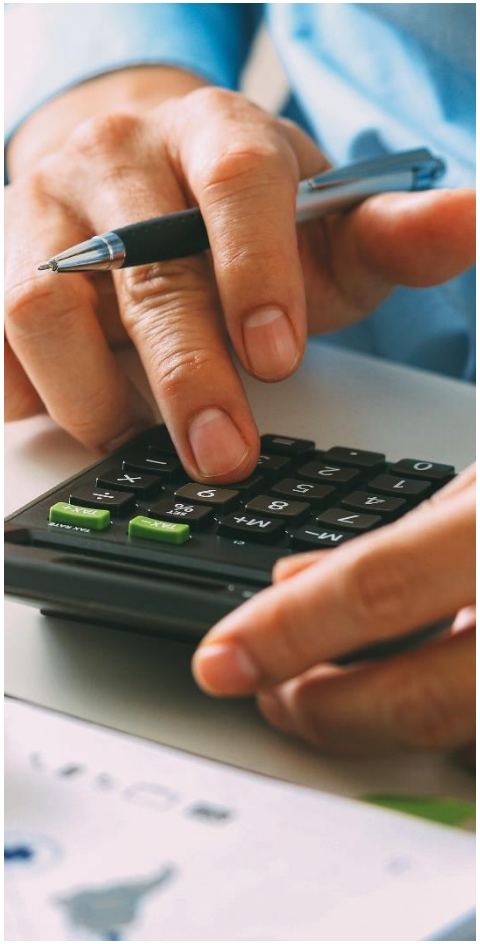
We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

**Misclassification and disclosure changes**

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

| Disclosure/issue/Omission | Auditor recommendations | Adjusted? |
|---|---|---|
| Note 23 Provisions<br>The provisions table shows the opening NNDR Appeals Provision balance of £10.227m being fully utilised and then £8.368m being added during the year, which is incorrect and to be amended for final accounts. | Management have amended the Provisions note to reflect the evidence to support the note, where the bottom line of provisions has not changed, this was a classification error between 'increase in provision during the year' and 'utilised during the year of £4.594m. | ✓ |
| Note 30 Pooled Budgets<br>The note disclosed draft ICB funding figures | Management have updated the ICB funding for the outturn figures and amended the split between the ICB and Wirral based on the correct allocations | ✓ |
| Note 32 Officers Remuneration<br>The initial report provided to support the note did not provide all the information regarding the officers pay banding table. | Management have amended the table that shows remuneration over £50,000 to employees in bands of £5,000. An additional change has been made to correct one exit package which was originally included in the wrong band line. We have carried out additional procedures to ensure that the amended note is now correct. | ✓ |
| Note 33 External Audit Costs<br>Following publication of the draft 2023/24 accounts, additional fees of £0.36k for the 2023/24 audit were communicated and included in Grant Thornton's Annual Audit Plan, which was reported to Audit and Risk Management Committee on 31st July 2024. | Management have now amended the note to reflect the additional fees of £0.36k identified for the 2023/24 audit. | ✓ |
| Note 36 Related Parties<br>Within the Related Parties note, the 'Other Public Bodies' table did not reflect that what was in Note 10 Precepts and Levies. | Management have now updated the 'Other Public Bodies' table to reflect the Manchester Port Health and North-West Sea Fisheries in line with the Precepts and Levies Note 10. | ✓ |
| Note 43 Nature and Extent of Risks Arising from Financial Instruments<br>Trade Receivables impairment should match the Expected Credit Loss figure for Trade Receivables within Note 19 Short Term Debtor, however there is a £2m difference. Management have confirmed that this was a typo made in Note 43. | Management have now updated Note 43 to reflect the same value as per Note 19 Debtors. | ✓ |

# D. Audit Adjustments (continued)



### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit and Risk Management 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 | Reason for not adjusting |
|---|---|---|---|---|---|
| A variance has arisen between the capital financing requirement and the accounting treatment of movements in the non-current assets, capital adjustment account and revaluation reserve. This is expected to be consistent as required by the Code. | 0 | Unusable reserves Dr 1,700<br>Unusable reserves Cr 1,700 | 0 | 0 | The Council have not yet identified the cause of the misstatement |
| **Overall impact** | **£0** | **£0** | **£0** | £0 | |

### Impact of prior year unadjusted misstatements

No prior year unadjusted misstatements to note.

# E. Fees and non-audit services

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

| Audit fees | Proposed fee | Final fee |
|---|---|---|
| Scale fee | £417,054 | 417,054 |
| Valuation Expert | £3,500 | 3,500 |
| ISA 315 | £12,500 | 12,500 |
| New General Ledger System | £20,000 | 20,000 |
| **Additional work undertaken on the VFM arrangements** | - | |
| **Total audit fees (excluding VAT)** | **£453,104** | **£453,104** |

# E. Fees and non-audit services

| Non-audit fees for other services | Proposed fee | Final fee |
| --- | --- | --- |
| **Audit Related Services eg Grant Claims** | £53,250 | £TBC |
| Other: CFO Insights | £12,500 | £12,500 |
| **Total non-audit fees (excluding VAT)** | **£TBC** | **£TBC** |

| **Total audit and non-audit fee** | |
| --- | --- |
| (Audit Fee) £ TBC | (Non Audit Fee) £TBC |

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

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

# F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

Landmark, St Peter's Square, 1 Oxford Street

Manchester M1 4PB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

**Wirral Metropolitan Borough Council.**

**Financial Statements for the year ended 31 March 2024**

This representation letter is provided in connection with the audit of the financial statements of Wirral Council for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include […]. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

# F. Management Letter of Representation

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

**Information Provided**

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Risk Management Committee at its meeting on [ENTER DATE].

Yours faithfully

Name………………………….

Position……………………….. Date…………………………..

# G. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Wirral Council

**Report on the audit of the financial statements**

### Opinion on financial statements

We have audited the financial statements of Wirral Council (the 'Authority') for the year ended 31 March 2024, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.



50

# G. Audit opinion

### Other information

The other information comprises the information included in the Annual Governance Statement, and the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on6 January 2025 we made one written recommendation to the Authority under Section 24 of the Local Audit and Accountability Act 2014 in relation to its extremely challenging financial situation with significant financial pressures creating budget overspends combined with low levels of reserves. We recommended that the Authority should:

- Identify additional savings and efficiencies to mitigate forecast overspends in 2024/25, especially in consideration of the Authority's low level of reserves and the unfunded budget gap within the Authority Medium Term Financial Strategy.
- Ensuring the Authority has the necessary organisation grip to progress the Authority's planned transformation programme at scale and pace to identify budget savings and wider efficiencies.
- Satisfying itself that social care services have the required focus, skills and capacity to contain and then mitigate areas of overspend.
- Revising the robustness and relevance of performance reports, recently introduced and planned to be introduced, to ensure these are adequate in supporting the Authority to respond to the serious financial challenges it faces.

51

- Reviewing the sufficiency of the finance team resources to the necessary capacity is in place to support the organisational responses to the critical financial position.

# G. Audit opinion

• Ensuring that member oversight of the Authority's actions to address its financial challenges is optimal and reflects the significance of the situation.

### Responsibilities of the Authority and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 33, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003 Local Government Act 1972, Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Act 2012).

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to [include relevant details for your audit, e.g. health and safety, employee matters, and data protection].

We enquired of management and the Audit and Risk Management committee, concerning the Authority's policies and procedures relating to:

• the identification, evaluation and compliance with laws and regulations;

• the detection and response to the risks of fraud; and

• the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Risk Management committee], whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls.]. We determined that the principal risks were in relation to management override of controls, in particular journals, management estimates and transactions outside the course of business.  Our audit procedures involved:

• evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,

• journal entry testing, with a focus on the material year end transactions and manual journals posted during the year with high risk characteristics,

• challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pension asset and liability valuations, and

• assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item. 52

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult

# G. Audit opinion

than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including fraud in revenue and expenditure recognition, and the significant accounting estimates relating to land and buildings, investment property and defined benefit pensions assets and liability valuations.. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

**Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter, except:

On 29 January 2024, we identified a significant weakness in the Authority's arrangements for financial sustainability. This was in relation to the Authority exhibiting signs of financial stress that indicate a threat to its financial sustainability in the short and medium terms. We recommended that the Authority's members should ensure that there is a robust response to these financial stresses and that officers are supported in making the changes needed. We followed up on the Authority's progress implementing this recommendation for year ended 31 March 2024 and this significant weakness is replaced by the written recommendation to the Authority under section 24 of the Local Authority and Accountability Act 2014.

On 6 January 2025, we identified two significant weaknesses in the Authority's arrangements for:

- Financial sustainability - The level of the Authority's Dedicated Schools Grant (DSG) deficit, and rate of increase, creates significant financial risk to the Authority. The Authority needs to address these matters with urgency considering the statutory override is schedule to end 31 March 2026. Our work has also established inconsistencies in the Council's DSG deficit data and highlights opportunities for the Authority to strengthen the forecasting of the DSG deficit matters. We recommended that the Authority needs to place a significant and urgent focus on developing and implementing interventions which will support the management and mitigation of the DSG deficit. Additionally, the Authority should ensure that it resolves inconsistencies in DSG deficit trajectory data and an update report is provided to the Schools Forum members to clarify the Authority's actual DSG forecasts. Finally, the financial risks relating to the DSG deficit should be added to the Authority's Corporate Risk Register.
- Improving economy, efficiency and effectiveness - During 2023/24 the Authority, and its partners, failed to demonstrate sufficient progress in improving special educational needs and disabilities (SEND) services. The Authority has also been made aware of specific commissioned service delivery issues.

# G. Draft Audit opinion

Also, those charged with governance were provided with limited performance information reports details SEND service performance/improvement. We recommended that the Authority needs to satisfy itself that it has the necessary organisational transformational capacity, skills and resources to ensure Local Area SEND Improvement Plan can be delivered in accordance with DfE requirements and is sufficient to drive sustainable improvement in SEND service provision and to mitigate associated SEND delivery risks. We also recommended that the Authority ensures that sufficient performance data is regularly provided to those charged with governance in relation to the Local Area SEND Improvement Plan to enable members to effectively track level of improvement and to support effective governance of this key area of service delivery.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

• Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

• Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

• Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

### Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Wirral Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Sarah Ironmonger, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date:



54

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