02 December 2024

To Audit Chair
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Dear Councillor Preece

Sandwell MBC Conclusion of the audit for 2022/23 – letter to those charged with governance on the application of the local authority backstop

As you will be aware, on 5 September 2024 the government published the draft Accounts and Audit (Amendment) Regulations 2024. These Regulations, which were approved on 30 September 2024, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. The new National Audit Office Code, which was approved on 14 November, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Executive Director Finance and Transformation, and for reasons which I set out in more detail below, it will not be possible for us to complete our audit for 2022/23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Audit Committee.

We are required under Auditing Standards to report certain matters to the Audit Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in Appendixes 1-3.

Outcome of our audit for (2022/23) – Disclaimer of the opinion on the financial statements

Unfortunately for reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have attached the draft wording of our Audit Report for your information.

We did not receive a draft set of 2022/23 accounts until 30th September 2024. Whilst we did start some of our audit procedures prior to receipt of the accounts, as reported to Audit Committee on 18th September 2024, there was insufficient time to undertake a compliant audit in the time available.

Based on experience, we judged it to be highly improbable that would complete our work on the valuation of land and buildings, investment properties and council dwellings by 13 December as this area is inherently time consuming, most likely to contain errors and no information was available prior to 30 September to allow any work to be undertaken in advance of the receipt of the accounts. We therefore agreed with management that we would prioritise our work in areas that we were most likely to be able to complete in the time available, particularly those areas that would provide the council with assurance over its useable reserves. This approach was reported to the Committee by management on 18 September. As planned, our testing has focussed on working balances and income and expenditure transactions.

Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice

We undertook our Value for Money work during 2023 and the interim report was presented to the July 2024 Audit and Risk Assurance Committee. The Report highlights improvements in the Council's arrangements, in particular the Statutory Recommendations made in 2021/22 have been lifted as they have been fully implemented.

We have concluded that whilst significant improvements in arrangements have been seen, not all the significant weakness in Governance have been fully addressed. We have also concluded that there is a significant weakness in relation to the Council's housing services. An improvement recommendation has also been made in relation to the Council's accounts closedown arrangements.

Criteria	2022/23 Risk assessment		2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No significant risks identified.	A	No significant weaknesses in arrangements identified but two improvement recommendations were made.	A	No significant weaknesses in arrangements identified but one improvement recommendation was made.	↔
Governance	Ongoing risk of significant weakness arising from prior year governance findings and Oracle Implementation.	A	Significant weaknesses in arrangements carried forward from prior years but improvements being made. One additional improvement recommendation has been raised.	R	Significant weaknesses in arrangements identified but improvements being made.	↑
Improving economy, efficiency and effectiveness	No significant risks identified.	A	Significant weaknesses in arrangements identified in relation to Housing, one further improvement recommendation made.	A	Significant weaknesses in arrangements identified but improvements being made. Two additional improvement recommendations made.	↑

Independence

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. 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.

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.

Management letter of representation

We have asked management to provide a letter of representation in respect of the financial statements. This will be tabled as a separate agenda item.

Looking ahead

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

Yours sincerely

Mark C Stocks

For Grant Thornton UK LLP

CC Director of Finance

Attachments: Draft Disclaimer of Opinion, Letter of Representation

Appendix 1- Summary of Audit work performed

Responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

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

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

Audit Plan

We issued an Audit Plan in September 2024 which went to the Audit Assurance Committee in that month. In our plan we identified the following issues as significant audit risks:

- Fraud in revenue recognition- this ISA 240 presumed risk was rebutted
- Fraud in expenditure recognition – this ISA 240 presumed risk was rebutted
- Management over-ride of controls
- Valuation of land and buildings, council housing stock and investment properties
- Valuation of pension fund net liability

We have not identified any other significant risks since the date we issued our audit plan.

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.

At planning we set a materiality of £13.5m for the group and £12.8m for the Council. We have not adjusted this materiality on receipt of the financial statements.

Key financial reporting and audit issues identified during the audit

As indicated above we focussed our audit procedures on the 'working balances' and Income and expenditure, which would impact directly on the Council's useable reserves. The table below summarises the work and audit findings from the work we have undertaken on the Balance sheet and the CIES. The audit findings from this work will be utilised in future audits to assist in rebuilding assurance in the upcoming years.

Summary of work carried out

Although we are unable to reach conclusion of our audit, a significant amount of work has been carried out. Our work has been focused on the areas that will impact the Council's usable reserves and working balances. Below we have summarised the procedures performed in undertaking this work. We will seek to use this work as part of our efforts to rebuild assurance in future years but as out audit is incomplete we do not provide assurance on any area or balance of the accounts [as we have not been able to triangulate our findings with other audit work we would normally have undertaken].

- Audit planning, including understanding the entity, group and its environment; documenting business processes; understanding the design and implementation of controls including IT controls; making inquiries of management and others; risk assessment and scoping the audit; culminating in the issuing of our audit plan in September 2024.

In relation to **significant risks:**

- Journals - risk assessment procedures were carried out on transactions, including documenting an understanding of the control environment, walking through controls, making inquiries of journal posters, analysing transactions, and holding discussions among the audit team to identify large and unusual entries that we would test further. We have ensured consistency of the full Journals listing, trial balance and Statement of Accounts. Using our data analytic tools we identified 67 Journals of the greatest risk to test. From our testing no issues were identified, and we are satisfied we have obtained assurance around this matter from the work undertaken.

- Pension liability valuation - risk assessment procedures were carried out on the pension liability valuation, including documenting an understanding of the related processes and controls, walking through controls, assessing the competence, experience and capability of management's expert, obtaining actuarial reports, requesting assurances from the auditor of the Pension Fund, agreeing the pension disclosures in the preliminary accounts to the actuary reports and reviewing with the Council the work done by the actuary on IFRIC 14.

  Our work on IFRIC 14 resulted in management identifying a £40,288k downward movement in the Pension liability. We are unable to provide assurance regarding the closing balance of Pension liability.

- Property valuations - as noted above we did not complete work on property valuations. This means we are not able to provide any assurance on Investment property or Property Plant and equipment valuations or any related CIES entries relating to their valuation movements.

Regarding areas that were not identified as significant risks, where we sought assurance, we conducted sample testing in relation to the following areas:

- Property Plant and equipment, capital expenditure - we selected 13 items for testing of which 12 were passed. For one item the Council had incorrectly capitalised the return of a capital grant to another Council. The Grant was repaid due to the Council not meeting the conditions stipulated in the grant. The value of this error is £1,637k. Due to this we are able to report that the Balance sheet is overstated by £1,637k. We understand the correcting entries involve a Debit to grant income of £1,471k and a debit to £166k for Capital Grants received in advance.

- Revenue expenditure funded from capital under statue - we have completed our sample testing with no errors identified.

- Cash and bank - our review of the Council's main bank account reconciliations we undertook testing of 8 reconciling items. We identified one balance, £3,600k, that had been posted in error. The Council have reviewed the matter which results in an increase to the Council's Cash position and a decrease of its expenditure relating to schools. We are currently engaged in discussions with the Council concerning the reserve adjustments associated with this matter.

- Debtors - we undertook sample testing relating to the completeness of debtors of receipts posted after the year end, no issues above our reporting threshold were identified in this testing.

Additionally, we tested a sample of post year end invoices. We identified from testing 10 items, c£220k of income, that had not been recognised in the correct year. We extrapolated this issue and noted a misstatement of £1,081k indicating debtors and income could be understated by this value. This is summarised in Appendix 2.

We also undertook sample testing of the existence of debtors. No issues were identified that fall above our reporting threshold.

- Capital Grants Received in Advance - we have undertaken sample testing of this balance. In doing so one adjustment was noted to increase capital Grants received in Advance and Debtors by £1,070k.

- Creditors - we sample tested the completeness of the balance from post-year-end bank payments and invoices received after the year end. From this testing errors were found that indicated the understatement of Creditors of £1,345k, when extrapolated this indicated Creditors may be understated by £4,896k. The Council in the updated financial statements have adjusted £699k of the factual errors identified meaning the projected unadjusted error is £4,197k.These errors both related to capital creditors and PPE Additions being understated with no impact on the Usable reserves for 2022-23. We recommend management review their process for capturing capital creditors going forwards.

  We undertook sample testing of Creditors to gain assurance over the existence of balances. From this work we identified £519k of items where Creditors were overstated or could not be supported sufficiently. When projected this indicates that Creditors may be overstated by £842k.

- Operating expenditure and non-payroll employee costs - we tested 66 debit items and 12 credit items. From our testing there were 2 items we were unable to obtain sufficient evidence for but the projected impact of these balances is below our reporting threshold.

- Interest payments – we have reviewed the interest payments posted in year and tied these back to the expected payments from our work on the Councils borrowings. No issues have been identified from this work.

- Disposals - we have completed our sample testing of Disposals with no issues identified. We have also tested whether Disposals have been correctly treated through the reserves statements and have not identified any issues.

- Precepts and levies - we have completed our audit procedures on precept and levies expenditure with no issues identified.

- Depreciation – we are undertake substantive analytical procedures and source data testing on depreciation. Our testing of depreciation identified the Council applied a 40-year life to Carriageways and footways. Per our assessment of expected ranges, we note the life set out in the Council's policy of 28 years is considered more appropriate. We have in our analytical procedures projected the impact of this on the accounts as £3,967k

- Payroll costs – we have undertaken substantive analytical procedures and source data testing on this balance with no issues identified.

- Collection fund income – we are undertake substantive analytical procedures and source data testing on depreciation no issues identified.

- Review of the preliminary financial statements by the Engagement Partner, Audit Manager, and feedback to management on key matters – we have raised a number of technical and year on year movement queries with management. We have concluded upon those that impact the usable reserves and, in our adjustments, log we have noted areas which have resulted in changes to the accounts above our reporting threshold. Our work is in progress and is pending final responses from management.

- Third party confirmations – we have received all third-party responses from banks and other institutions to confirm the cash, investment and borrowing balances at the year end, with no issues identified.

- Minimum revenue provision – we reviewed the Councils Minimum Reserve provision (MRP) charge. We are satisfied the Council has followed the statutory requirements in setting a prudent charge. We note the Council have changed their policy to the annuity method and also did not make any voluntary payments in relation to the HRA. This has reduced the charges in the audit year and the short term. This results in an increased MRP charges into later years.

- Movement in statement of reserves - we have reviewed the statutory adjustments ensuring to the accounts and have completed our consistency checks between the MIRS and the other aspects of the financial statements. We have no issues to report.

- Cashflow statement - the Council has prepared a Cash Flow statement. We have confirmed that consistency of the statement with the CIES, Balance Sheet and MIRS and other financial statements notes. We have confirmed that the Council's Cash Flow statement and bank reconciliations were balanced and properly prepared. As we have not tested areas such as property and pensions we are not able to confirm that the cashflow statement and related notes is appropriately stated.

- Work was also taken on the Collection Fund statement and HRA statement particularly on balances that impact the Income and expenditure and the reserves. This was done via a mixture of substantive analytical procedures, with additional testing undertaken on key data such as property numbers and reliefs applied. Additionally, for the Collection Fund, work was undertaken on the preceptor balances to assure ourselves the overall surplus/deficit of the Fund. For the Housing Revenue account, we also undertook testing to assure ourselves that the HRA ring fence accounting requirement had not been breached. This included testing the classification of expenditure transactions between the General Fund and Housing Revenue account and reviewing adjustments made within the Housing Revenue account reserves statement.

- Financial statements – we undertook detailed procedures to ensure the completeness of the General ledger trial balance and to ensure that the trial balance was consistent and reconciles to the financial statements. We do not have any matters to report.

Going Concern

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

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 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities

- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Design effectiveness of internal controls

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 any control weaknesses, we will report these to management.

I**T controls**

- Administrative access - administrative access to Oracle EBS has been granted to users who have financial responsibilities; the combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict. We found 5 user accounts that as well as being system administrators, had financial management responsibilities. Regarding this issue, we designed our Journals testing to account for users with this access and chose Journals associated with these users for testing. No issues were identified during this testing, but the control recommendation still stands.

- Segregation of duties –we identified one Finance user that had access to develop and implement changes into the production environment. We performed additional procedures and noted that no changes were implemented using this account during the period under review.

- Monitoring over privileged generic account within Oracle EBS - we noted that a generic account (SYSADMIN) is shared between administration staff to perform their duties. There is no control in place to actively monitor the usage of the active generic privileged account within Oracle EBS. There is no formally defined process of changing the password after each use so staff may retain access for longer than required. This point fed into our Journals risk assessment process and resulted in a larger number of items being selected for testing.

Valuation of pension fund liability

We identified the following control weaknesses:

- Payroll data - payroll data shared with the pension fund/ actuary ER005 (month 10 data) is not evidenced as reviewed by the corporate finance manager and pensions manager
- Actuarial assumptions - there is no evidence of management having reviewed the reasonableness of the assumptions made by the Actuary
- IAS19 reports - there is no evidence of a review by the S151 officer of the IAS19 report received from the actuary before uploading to the ledger.

Journals

Authorisation procedures over journals are retrospective. Journals can be posted without authorisation by a user and are only subject to a self-review. We note that a batch check is undertaken by the business partners for service areas at month end. However, we note that there is no supporting information attached and that the batch checks do not appear to taken place on a regular basis. We therefore do not have assurance that all batch reviews took place in 2022/23. We are unable to provide assurance that this control was in place.

Oracle Cloud Implementation

The Council has been progressing its plans in relation to the Oracle Could implementation. We undertook a review of the project in September and October 2023. We presented the findings of this review at the Audit Committee on the 18th of July 2024.

Other matters which we are required to report on to those charged with governance

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

Matters in relation to the Group audit

In respect of the group engagement, we are required to report on:

- The scope of work on components
- The involvement of group auditors in significant component audits,
- Any concerns over quality of component auditors' work
- Limitations of scope on the group audit, and
- Fraud or suspected fraud

We have not undertaken detailed audit procedures on the Group consolidation process.

We note that whilst Sandwell Children's Trust is material to the Group accounts the impact on the Group Reserves is £7 million and therefore not material. An unqualified opinion on the accounts for Sandwell Children's Trust was issued as part of our audit of the body. This is a separate engagement but is undertaken by Grant Thornton. Accordingly, we have reported on the audit fees below.

We have nothing else to report in relation to the above.

Appendix 2 - Audit Adjustments and Unadjusted Balances

Table 1- Projected errors and uncertainties from audit procedures

Description	CIES impact £000	Balance Sheet impact £000	Impact on Usable Reserves £000	Comment
In debtors completeness testing we identified factual misstatements of £222k. This projects to an Understatement of debtors of £1,081k.	(1,081k)- Income	1,081k- Debtors	(1,081k)	Projected error
Creditors' existence testing- we identified a balance of £519k for which information to support the balance could not be provided. We extrapolated the matter which indicated a potential misstatement of £873k.	(843k)- Expenditure	842k Creditors	(842k) potential impact	Projected error
Depreciation – our testing of depreciation identified the Council applied a 40-year life to Carriageways and footways. Per our assessment of expected ranges, we note the life set out in the Council's policy of 28 years is considered more appropriate. We have in our analytical procedures projected the impact of this on the accounts as £3,967k	3,967 - Expenditure	(3,967k)- Property Plant and Equipment	No impact due to statutory accounting requirements.	Projected error – per Analytical review
Understatement of Capital Additions and Capital Creditors based on projected error as a result of two misstatements in our creditor completeness testing. The factual misstatement being £1,345k, of which management have adjusted £699k, this leaves a projected error of £4,197k.		Debit Property Plant and equipment £4,197k Credit Capital expenditure £4,197k	No impact on reserves due to statutory adjustments of capital expenditure. However, potential impact on closing CFR balance.	Projected error
Total	**(2,044k)**	**(2,044k)**	**1,853k**	**Below materiality levels set- figures projected and not factual.**

Table 2- Adjustments log

Description	Double Entry £000	Auditor view	Impact on Usable reserves
Capital expenditure- Grant incorrectly capitalised the repayment of a grant, they had to repay.	Debit- Grant income £1,471k Debit Capital Grants Received in Advance £166k Credit- £1,637k	We are satisfied with the proposed adjustment and it ties back to the audit procedures performed.	£1,471k impact on the Housing Revenue account capital financing requirement.
Bank reconciling items – Journal entry incorrectly posted as a reconciling item in Journal postings, this has caused an overstatement of Cash of £3,600k	Debit Cash £3,600k Credit School expenditure £3,600k	We are satisfied with the proposed adjustment and it ties back to the audit procedures performed.	From discussions with management no impact on Usable reserves.
Capital Creditors understated and Property Plant and Additions understated for AUC assets for the Aquatic center.	Debit Property Plant and Equipment £699k Credit Capital Creditors £699k Debit Capital Grants Received in Advance £699k Credit CIES taxation and non-specific Grant income £699k	We are satisfied with the proposed adjustment, and it ties back to the audit procedures performed.	No impact on the Usable reserves or Capital financing requirement as project is being funded by capital grants.
Adjustment to account for impact of IFRIC 14, which results in increasing the Councils Pension liability by £40,228k.	Debit Remeasurement of Pension liability £40,228k Credit Pension liability £40,228k	We are satisfied with the proposed adjustment, and it ties back to the audit procedures performed.	No impact on the Usable reserves.
Management identified that the Property Plant and equipment balance had not reclassified assets that had been subsequently revalued. This resulted in a double counting of assets and an overstatement of PPE of £846k.	Debit- Impairment charge CIES- £846k Credit Property Plant and equipment (£846k)	We are satisfied with management's proposed adjustment.	No impact on the Usable reserves.
Due to a misallocation of a Grants received in advance for capital grant work were the money had not yet been received the Council has overstated debtors and Capital Grants received in advance.	Debit Debtors 1,070k Credit Capital Grants Received in Advance (£1,070k)	We are satisfied with managements proposed adjustment.	No impact on the Usable reserves.

Table 3- Disclosure adjustments

Description	**Adjusted**
Disclosure adjustments identified adjusted following review of the accounts by Grant Thornton: • Updates to the Annual Governance statement to reflect the challenges that existed in Housing Services. • Inconsistencies were identified between the Narrative report and the statement of accounts for capital expenditure incurred in year. • Several minor adjustments to the Councils accounting policies in relation to Property Plant and equipment. • MRP policy was identified as having not been updated to reflect the change to the annuity method. • Formatting changes to the Movement in Reserves Statement. • Inconsistencies were noted in the audit fees note which have been amended. • Business rate top up grant was incorrectly excluded from the Grants income note. • Reclassification posted within property plant and equipment between Assets Under construction and Council dwellings of £846k. • A number of other disclosure and formatting points have been identified during the audit and addressed by management.	Council have agreed to amend the updated Statement of accounts for these points.
Disclosure adjustment identified not adjusted: • The Council restated the CIES, Group CIES and Expenditure Funding Analysis figures in the prior year to reflect changes in the Councils divisional structure. The Council have not complied with the requirements set out in IAS 8 in relation to related disclosures in relation to prior period adjustments. • Pooled budgets- During our review, we have noted that as per CIPFA code 3.4.4.4 council needs to provide sufficient information related to pooled budget partnership and council at minimum required to disclose the gross income and expenditure by each partner, In Note 33 in note tab , council have disclosed total expenditure of £54.329 million of pooled fund they haven't disclosed the amount of expenditure spent by council and trust.	Not adjusted.

We have completed our checks to the updated financial statements we are satisfied with the changes tie back to those reported above and the aspects of the work we have gained assurance on are in line with our expectations.

Description	Adjusted
The Councils Pension note 46 Defined Benefit Scheme does not tie back to the CIES notes for net interest expenses stating £21,068k when the value should be £29,338k. This is an error purely in the disclosure note.	Council have agreed to adjust the financial statements for this.
In our procedures on the consistency of the MIRS and related notes we identified: • PPE valuation movements disclosed as being charged (or credited) to services at Note 13 (£58,966k) versus revaluation movements recognised in the Capital adj account (£60,530k). Variance £1,564k • PPE valuation movements disclosed as being charged (or credited) directly to revaluation reserve at Note 13 (£70,783k) versus revaluation movements recognised in the Revaluation reserve (£69,160k). Variance £1,623k These inconsistencies impact Unusable reserves allocation only.	Council have agreed to adjust the financial statements for this.
Capital commitments- The current disclosure in the note involves information that is not relevant (all the capital works and programs) so the Council should consider redrafting this so it only discloses capital commitments. The Council have agreed with our recommendation based on the latest guidance and will revise the note. Capital Creditors understated and Property Plant and Additions understated for AUC assets for the Aquatic center.	We are satisfied with the proposed adjustment, and it ties back to the audit procedures performed.
Adjustment to account for impact of IFRIC 14, which results in increasing the Councils Pension liability by £40,228k.	We are satisfied with the proposed adjustment, and it ties back to the audit procedures performed.
The Council separately to our audit identified a number of assets with a nil Net book value but a gross cost and total accumulated depreciation of £47,869k. This has been written out of the Property Plant and equipment note.	The council determined adjustment which has not been audited.
Earmarked Reserves Subsequent to the production of the draft statements the Council have advised us that there were a number of errors to amounts reported in the Earmarked reserve disclosure note. Errors identified are as follows: • Financial planning reserve understated by £944k • Serco contract reserve understated by £3,543k • - DSG reserve understated by £60k • - Business rates volatility reserve understated by £1,013k - Schools balances reserve overstated by £5,560k	Council notified us of these amendments no impact on Usable reserves and we have not audited this amendment.

Appendix 3 - Audit Fees

Audit fees and non audit fees

PSAA set a scale fee for this year's audit of £177,324. Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for this audit year. Assuming no further work takes place in relation to this years audit as part of the process of regaining assurance based on the time spent on the audit we would expect the final fee to be £207,000.

As per the audit plan we have completed the audit of Sandwell Children's Trust a subsidiary of the Council. The audit fee for this work is £34,000.
Therefore, our proposed final fee for both audits is c£241,000. This consists of:

Accounts audit	£155,000
Value for money audit	£20,000
VfM - Governance review follow up	£20,000
VfM - ERP system implementation	£12,000
Sandwell Children's Trust	£34,000

These fees are subject to approval by PSAA.

We have also undertaken the following non audit work in respect of (audit year).

Non -Audit Service	Proposed Fee	Threats	Safeguards
Grant fee for Sandwell Children 2022/23	5,500	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 annual fee for this work is low in comparison to the total annual fee for the audit 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.
Housing Benefit subsidy Certification 2022/23	82,800	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management (because GT report to Teachers Pensions/DWP)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the annual fee for this work is low in comparison to the total annual fee for the audit 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. The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. Any changes to subsidy payable will be determined by Teachers Pensions/DWP and we have no involvement in the decision. These factors mitigate the perceived threats to an acceptable level.

Teacher’s Pensions 2022/23	20,000	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the annual fee for this work is low in comparison to the total annual fee for the audit 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.

With the total non-audit fees being 108,300.