The Audit Findings for Staffordshire Moorlands District Council

Year ended 31 March 2021

Staffordshire Moorlands District Council

22 October 2021

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.

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

Michael Green

Name : Michael Green

For Grant Thornton UK LLP

Date: 22 October 2021

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Staffordshire Moorlands District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

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

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

Our audit work was completed on site/remotely during July-October. Our findings are summarised on pages 5 to 21. Based on the work completed to date, we have identified a small number of disclosure adjustments. Adjusted and unadjusted misstatements are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix D) or material changes to the financial statements, subject to the following outstanding matters;

- resolution of outstanding queries on land and buildings and investment property valuations;
- completion of our procedures relating to journals;
- resolution of queries relating to the Minimum Revenue Provision;
- receipt of the required assurances from the auditors of the Staffordshire Pension Fund;
- resolution of a small number of queries outstanding across various audit areas;
- clearing of review points from engagement lead file review;
- receipt of management representation letter (– see Appendix E); and
- review of the final set of financial statements.

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

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by the end of December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weaknesses as part of our planning procedures or from the work we have completed to date.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report by the end of December 2021.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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.

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

Audit approach

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

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the component of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that a full audit of Staffordshire Moorlands District Council and a high level review of the consolidation of Ascent Housing LLP were required; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Accounts Committee meeting on 22 October 2021, as detailed in Appendix D. These outstanding items are detailed on page 3.

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 25 June 2021.

We detail in the table below our determination of materiality for the group and Council.

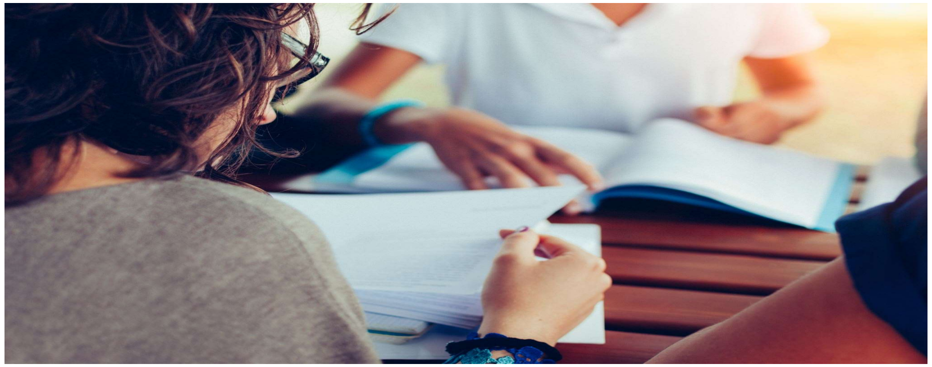
	Group Amount	Council Amount	Qualitative factors considered
Materiality for the financial statements	£0.613m	£0.605m	Financial performance of the Council, focussing on the cost of service provision.
Performance materiality	£0.460m	£0.454m	Quality of working papers in prior year and Council response to audit processes
Trivial matters	£0.030m	£0.03m	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration disclosures	£0.0134m	£0.0134m	Materiality has been reduced for remuneration disclosures due to the sensitive nature and public interest

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
Recognition of revenue and expenditure Under ISA (UK) 240 there is a rebuttable presumed risk that revenue and expenditure may be misstated due to improper recognition. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to improper recognition.	In our audit plan, we assessed that the risk of misstatement due to fraud in the recognition of revenue or expenditure could be rebutted. We have reconsidered our assessment in light of our audit findings and consider that there is no change to our assessment of this risk.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the normal course of business, as a significant risk.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • identified and tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions Our work in this area is still ongoing, including testing of a sample of journals selected from the full ledger transaction data using our data analytic software. Based on work completed to date , we have not identified any changes in accounting policies or estimation processes and no indications of management override.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£41m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.5% change in these two assumptions would have increase the liability by approximately 48% . 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 Authority's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated, and evaluate the design of the associated controls • evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report Pages 11-12 provide a detailed assessment of the estimation process for the valuation of the pension fund net liability. Management had obtained a supporting paper from the actuary to explain key movements in the liability compared to the previous year. Our procedures to review assumptions using the work of an auditor's expert found that the assumptions used by the management expert were reasonable and in line with expectations but we challenged management on the reasons for unexpected movements in current service costs. We have reviewed the accounting entries made in respect of the pension fund net liability and associated presentation and disclosure within the financial statements. This work has not identified any matters to bring to your attention. We have been unable to finalise our work in this area as we are awaiting receipt of the requested assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. This is expected to be received by 26th October 2021 and will require us to review assurances provided and conduct follow up procedures as relevant. Subject to receiving the expected assurances from the auditors of Staffordshire Pension Fund, and clearance of outstanding review points, we have obtained assurance that the financial statements are materially correct.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings and investment properties The Council revalues its land and buildings on a rolling five-yearly basis, and revalues its investment properties on an annual basis. These valuations represent a significant estimate by management in the financial statements due to the size of the values involved (NBV of £24.9m for Other Land and Buildings and £3.8m for Investment Properties) in the Council's balance sheet as at 31 March 2021) and the sensitivity of the estimate to changes in key assumption. Additionally, management will need to ensure the carrying value in the financial statements of any assets not revalued in year is not materially different from the current value at the financial statements date. We have therefore identified valuation of land and buildings, particularly revaluations and impairment, as a significant risk.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenged the information, inputs and assumptions used by the valuer to assess completeness and consistency with our understanding, in particular in relation to land areas and property yields used in calculating estimated values. • performed a specific review and challenge of assumptions around assets valued based on income generation • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Page 13 provides a detailed assessment of the estimation process for the valuation of land, buildings and investment properties. We have substantially completed our procedures as set out above, subject to receipt of some further information on land areas and yields from the valuer, and clearance of outstanding review points. To date, our audit work has not identified any material issues in respect of valuation of land, buildings or investment properties.

2. Financial Statements – new issues and risks

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

Background and Issue

The Ministry for Housing, Communities and Local Government (MHCLG or its successor) has policy responsibility for the Prudential System. This covers the responsibility for ensuring that the statutory guidance drives local authorities to make borrowing and investment decisions in a way that is commensurate with their statutory responsibilities and the best value duty. It also includes overall responsibility for the local government finance system, including understanding the risks to the system from changes in the types of borrowing and investment activities that local authorities are undertaking.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended and includes the Statutory Guidance on Minimum Revenue Provision (MRP) prepared by MHCLG. The MRP Guidance gains its statutory status from section 21(1A) of the 2003 Act.

Minimum Revenue Provision (MRP):

- Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements.
- Since the introduction of MRP, there have been a number of changes to statutory guidance. One of the most significant was in 2012 with a shift in emphasis from prescriptive regulations to guidance to help to promote development schemes which would have been hindered by the inflexibility of the former regulatory regime and effectively give councils autonomy to make decisions on the level of provision based on local circumstances.
- In 2019 there was a slight retrenchment and a tightening of the interpretation of what was deemed to be a "prudent provision". It also made it impossible to take credit from an MRP account where there had been over provision in the past, but it was still permissible to take 'holidays' for this reason, and councils were prevented from changing the basis of calculation in order to retrospectively generate an overpayment that a 'holiday' could be taken on (this applied from 1 April 2018).

Sector Analysis:

- During September 2021, Grant Thornton carried out a benchmarking exercise across its Local Government client base in order to identify organisations where the level of MRP provided for appeared to be low, when expressed as a percentage of the Council's overall Capital Financing Requirement. At less than 1%, the Council's MRP was RAG rated as "red" and the audit team entered into discussions with management to understand the drivers behind this.
- Upon review of the Council's MRP policy and underlying working papers, we identified that the reason for the finding was that the Council does not charge MRP on the unfinanced capital expenditure that is a £14m loan drawn down by Ascent Housing LLP. This is on the basis that the loan is secured against the properties of the LLP and the Council is a priority creditor. The Council therefore anticipates that the loan would be fully repaid on winding up of the LLP. This would be treated as a capital receipt and applied to reduce the Capital Financing Requirement of the Council.

Considering the above our view is that the Council's policy in respect of the Ascent loan is not fully compliant with the expectations of the Prudential Framework and the current statutory MRP guidance. Our assessment and rationale for these conclusions are discussed on the next page at the "Commentary" section.

2. Financial Statements – new issues and risks - continued

Commentary	Auditor view
Ascent loan The Council Joint Venture with Your Housing Group Limited through Ascent Housing LLP was set up to provide affordable housing in the district. From the 2012/13 financial year, the Council has made loans to Ascent under a £20m loan facility and £14m has been drawn down against this to 31 March 2016. As noted on the previous page the Council's policy in respect of the loan is not to provide MRP due to the expectation that the loan would be fully paid and reduce the CFR on closure/winding up of the LLP. The Council considers this position on an annual basis when setting the annual MRP policy and this includes an assessment of the ability of the LLP to fund the amount due. For 20-21, the Council considers that the assets of the LLP would be sufficient to meet the outstanding loan balance.	From our discussions with management and review of Committee reports we are satisfied that the Council has had regard to the statutory guidance. Whilst we accept that the Council has a clear rationale for its policy choices, our view is that statutory guidance is clear that the duty to charge MRP includes loans to third parties that are treated as capital expenditure under guidance. At present the Council's policy does not appear to be in line with this guidance. **Conclusion** Our view is that the Council's policy, is not in compliance with the statutory guidance on minimum revenue provision, particularly paragraph 46 which states: • CAPITALISED EXPENDITURE 46.Where on or after 1 April 2008 an authority incurs expenditure which is: • Financed by borrowing and credit arrangements; and • Treated as capital expenditure by virtue of either a direction under section 16(2)(b) of the 2003 Act or Regulation 25(1) of the 2003 Regulations, The authority should calculate MRP in accordance with Option 3. Option 3 as referred to represents one of the available methods for determining the MRP charge. Based on the above, should the current policy continue then the Council would not be putting sufficient resources to one side to meet its obligations and mitigate potential risks alongside not being compliant with the current statutory guidance. We are currently considering this view and obtaining internal technical advice on the matter regarding the implications for the Council in respect of the 20-21 financial statements. This consideration will include reference to the ongoing plans to wind-up Ascent Housing LLP in the coming months and the Council's expectation that the properties of the LLP will be purchased by Your housing Group Limited, which would provide the Council with the capital receipt to re-pay the loan and reduce the CFR. We will provide a verbal update to the Committee at its meeting on 22 October 2021. We do recommend that the Council give further consideration to the current MRP policy and its approach to loans to third parties that are capital in nature and to ensure that sufficient provision is made.

2. Financial Statements – new issues and risks - continued

Issue	Commentary	Auditor view
Recognition and Presentation of Grant Income The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	We have performed substantive testing of both grant income where the Council has accounted for the income as a principal, and where is has accounted for grant income as an agent. The results of our substantive testing did not identify any instances where grant income had been incorrectly treated. We also reviewed the disclosures relating to grant income in the financial statements and identified that there was no disclosure of the grant streams where the Council was acting as an agent (although the relevant cash and creditor balances had been recognised). In response, the Council has prepared an additional note to the accounts, Note 3e, which has been audited. Other than this issue, our work has not identified any issues to report in respect of grant recognition and presentation.	Grant income has been accounted for in accordance with the Code.

2. Financial Statements - key judgements and estimates

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

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £41m</td>
<td>The Council's net pension liability at 31 March 2021 is £41m (PY £34m) (comprising the Staffordshire Pension Fund Local Government and unfunded defined benefit pension scheme obligations.).

The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme.

A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

There has been a £7m net actuarial loss during 2020/21.</td>
<td>We have:

Deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work.
Assessed the competence, capability and objectivity of management's experts
Tested the completeness and accuracy of the underlying information used to determine the estimate
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 additional procedures as suggested in the report

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>2.00%</td><td>1.95% - 2.05%</td><td></td></tr>
<tr><td>Pension increase rate</td><td>2.85%</td><td>2.80% - 2.85%</td><td></td></tr>
<tr><td>Salary growth</td><td>3.25%</td><td>3.20% - 3.35%</td><td></td></tr>
<tr><td>Life expectancy – Males currently aged 45 / 65</td><td>22.5 years / 21.4 years</td><td>21.8 – 24.3 years / 20.4-22.7 years</td><td></td></tr>
<tr><td>Life expectancy – Females currently aged 45 / 65</td><td>25.7 years / 24.0 years</td><td>25.2 – 26.7 years / 23.2 – 24.9 years</td><td></td></tr>
</table>
Continued over…</td>
<td>Light Purple - We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £41m		*Continued from page 11…* • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • Considered the reasonableness of changes in estimated values based on all of the available evidence • Considered the reasonableness of the Council's share of LGPS pension assets • Considered the adequacy of the disclosure of the estimates in the financial statements As noted on page 8, our work on pension liabilities is ongoing, pending receipt of assurances from the auditor of Staffordshire 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. However, this does not impact on our assessment of the key judgements and estimates taken by management. We are satisfied that management's process for producing this estimate is robust.	Light Purple - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations: *Land and buildings – £24.9m* *Investment properties - £3.8m*	The Council's property portfolio comprises a combination of surplus, investment, specialised and non-specialised land and buildings. Non-specialised land and buildings are valued at existing use value (EUV) on a five yearly rolling basis, whereas specialised land and buildings are valued at depreciated replacement cost (DRC) (reflecting the cost of a modern equivalent asset necessary to deliver the same service provision) on a five yearly rolling basis. Investment properties are valued at fair value (FV) on an annual basis. The Council has engaged an external expert to complete valuations. 76% of land and buildings were revalued during 2020/21. All investment property asset were revalued during 2020/21. Management have considered the impact of a 1% change in the carrying value of the Council's assets. A disclosure of the estimation uncertainty relating to asset valuations is included within the statement of accounting policy. The uncertainty is linked to the potential impacts of the Covid-19 pandemic. Management have considered the year end value of non-valued properties, using BCIS indices and other data e.g. car park yields to determine whether there has been a material change in the total value of these assets. Management's assessment of assets not revalued has identified no material change to the asset values. The total year end valuation of land and buildings was £28.7m, a net decrease of £1.1m from 2019/20 (£29.8m).	We have: • Deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work. • Assessed the competence, capability and objectivity of management's experts • Tested the completeness and accuracy of the underlying information used to determine the estimate • Worked with the valuers to understand the basis on which the valuations were carried out and considered whether the requirements of the Code were met • Considered the consistency of estimates against near neighbours/GE report and where movements in asset values were outside of our expectations based on this report, performed detailed testing • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, particularly in relation to yields and land areas. • Considered management's review of assets not revalued as at 31 March 2021 for the purposes of determining whether there had been a material movement since the most recent revaluation • Tested revaluations made during the to confirm that they had been input correctly into the Council's asset register • Considered the reasonableness of changes in estimated values based on all of the available evidence and wider sector knowledge • Considered the adequacy of the disclosure of the estimates in the financial statements *Continued over…*	Light Purple- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations: *Land and buildings – £24.9m* *Investment properties - £3.8m*		*Continued from page 13…* The use of MEA principles by the valuer in producing DRC valuations has contributed to the in year reduction in the value of land and buildings. Management consider that this is a reasonable approach as it acknowledges that the valuation of an asset should reflect not only its form and function but also its location. We are satisfied that the valuer's approach is in line with CIPFA and RICS guidance. As noted on page 9, our work in this area is nearing conclusion as we finalise the evidence in respect of a small number of assets in our sample, and is subject to a final review. The work performed to date does not indicate any lack of robustness in management's process for producing this estimate. The assessment is subject to completion of this work.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Provisions for NNDR appeals - £1.1m	The Council are responsible for repaying a proportion of successful rateable value appeals. The Council's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to an reduction in outstanding appeals, the provision has increased by £0.3m in 2020/21.	We have: • Reviewed the appropriateness of the underlying information used to determine the estimate • Reperformed calculations to confirm accuracy and completeness • Considered the impact of any changes to the valuation methodology • Checked the consistency of the estimate against industry practice • Agreed the reasonableness of the decrease in the value of the estimate against wider sector knowledge • Reviewed the adequacy of the disclosure of the estimate in the financial statements We are satisfied that management's process for producing this estimate is robust.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grant Income Recognition and Presentation - £83m	The Council has received £36m of funding from government grant schemes relating to Covid-19, where the Council has judged that it is acting as an agent on behalf of central government. These grants have not been recognised as income but are disclosed in the financial statements. The related cash and creditor balances have been recognised in the balance sheet. The Council has also received Covid-19 grants of £7m from central government, which it has recognised as income in the CIES because there are no conditions attached to the funding and/or the Council has judged that it is acting as a principal. The recognition of this grant income is split between income credited to taxation and non-specific grant income (£2.0m) and income credited to services (£4.7m). Management have individually assessed each stream of grant funding to determine the appropriate basis of recognition/disclosure.	We have: • Developed our understanding of management's processes relating to the recognition of grants • Performed substantive testing of grants not recognised as income to confirm correct classification • Performed substantive testing of grants recognised as income to confirm the criteria for recognition have been met and that income has been correctly recognised as specific or non-specific grant • Considered the adequacy of disclosures relating to grants in the financial statements In the draft accounts presented for audit, we identified that the grant streams where the Council was acting as an agent had not been disclosed in the notes to the accounts, although the relevant cash and creditor balances had been recognised. In response, the Council has prepared an additional note to the accounts, Note 3e, which has been audited. Other than this issue, our work has not identified any issues to report in respect of grant recognition and presentation.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

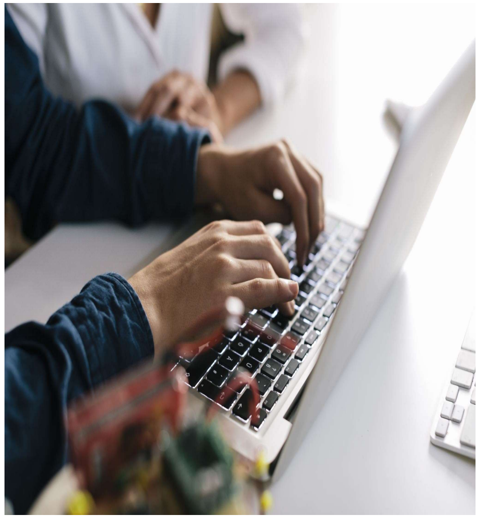
- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - 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 Accounts 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 included at Appendix E. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for the valuation of land and buildings and the valuation of the net pension fund liability, the MRP for the year and in relation to the unadjusted misstatements in the financial statements.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests in relation to cash and investment balances. 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 were provided.

2. Financial Statements - other communication requirements

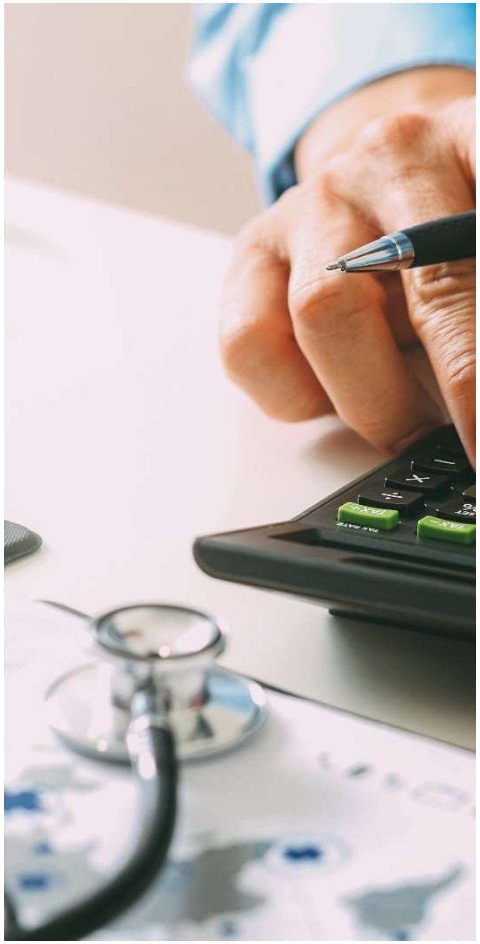
Our responsibility

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. 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 Council'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 the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other 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 and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have nothing to report on these matters.



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. The group audit instructions have not yet been issued for 2020/21 but we anticipate that in the case of the Council, no substantive work will be required as the entity is below the audit threshold determined by the NAO.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of the Council in the audit report, as detailed in Appendix D. This is due to further time being needed to complete our VFM work; the NAO has extended the timetable for completion of this work to three months post completion of the financial statements audit. In addition, as noted above, group audit instructions have not yet been issued for 2020/21 and we are unable to conclude work in relation to Whole of Government Accounts.

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

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

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

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

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix F to this report.

We expect to issue our Auditor's Annual Report by the end of December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

We have evaluated the Council's arrangements relating to each of the VFM criteria, as well as the arrangements put in place by the Council in response to Covid-19.

Our work has included the review of documentation and structured interviews and enquiries with officers to inform our understanding of the Council's arrangements.

We have considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. To date, we have not identified any such risks or findings that would impact the audit opinion on the accounts.

4. Independence and ethics

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

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 C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	11,250	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 £11,250 in comparison to the total fee for the audit of £56,145 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, certification work is done after the audit has completed. The amounts involved are unlikely to be material to our audit opinion and we have considered the unlikelihood of material errors arising. The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Non-Audit related			
CFO Insights	4,125*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,125 in comparison to the total fee for the audit of £56,145, and in particular relative to Grant Thornton UK LLP's turnover overall. Furthermore, 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.
Place Analytics	5,625*	Self-Interest (because this is a recurring subscription)	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 £5,625 in comparison to the total fee for the audit of £56,145, and in particular relative to Grant Thornton UK LLP's turnover overall. Furthermore, 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.

* High Peak Borough Council holds a subscription to CFO Insights and Place Analytics on behalf of it itself and the Council. The fees included here are 50% of the total fees.

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 Accounts Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 5 recommendations for the Council 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 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High – Significant long-term effect on financial statements	Minimum revenue provision Local authorities are normally required each year to set aside prudent levels of their revenues in respect of financing capital expenditure incurred by the authority in the year of account or preceding financial years – known as the Minimum Revenue Provision (MRP). The government has issued statutory guidance to provide a framework for councils when assessing what might be prudent levels. Our work has identified that the Council has not provided MRP in respect of the unfinanced capital expenditure represented by a £14m loan to Ascent Housing LLP. In our view this approach is not consistent with the current statutory guidance. We are considering this view in light of the current plans to wind-up Ascent LLP and the expected re-payment of the outstanding loan balance which would reduce the Council's CFR and resolve this matter going forward.	We believe the Council should: - Give consideration to revising the approach and policy of charging MRP on capital loans to third parties to ensure that appropriate charges (per statutory guidance) are made. Management response […]

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium – Limited effect on financial statements	Manual journals authorisation process Since the move to home working in response to the Covid-19 pandemic, the Council's process for the approval of journals has changed. Whereas previously, wet signatures were used to evidence approval of journals, the current practice of using a shared folder and a renaming convention for approval of journals increases the risk of journals being posted without the appropriate authorisation. Therefore, there is an increased risk of fraud or error in the financial statements.	We recommend that the Council explores alternative arrangements such as an integrated workflow process within the Integra accounting system. This would reduce the risk of fraudulent or erroneous journals, and provide an improved audit trail over journals. Management response […]
Medium – Limited effect on financial statements	Asset lives • We found that some assets had been allocated a UEL outside of the Council's stated policy. • We identified assets which have been fully depreciated but are still held by the Council and are still in use. These assets have a gross book value of £3m.	We recommend that the accounting policy is adjusted to reflect the actual UELs adopted by the Council. We also recommend that a review is undertaken of the UELs for assets which are fully depreciated or close to full depreciation, considering whether the UELs in place are appropriate. Management response […]
Low – Best practice	Derecognition of assets The Council's policy is that when a component of an existing asset is replaced or restored, the old component should be derecognised to avoid double counting. The policy states that capital spending lower than £160k will be treated as an enhancement without derecognition. However, we found that spending below this threshold had resulted in derecognition of the old component, was therefore not in accordance with the policy.	We recommend that the policy is updated to include derecognition of lower levels of capital spending on enhancements. Management response […]
Low – Best practice	Bad debt provision We note that the Council's provision for bad debts includes provisions against balances dating back to 2006/07. Debts originating between 2006/07 and 2016/17 have been provided for in full and it seems unlikely that the debts which are over 10 years old will be recoverable.	Although there is no net impact on the financial statements, we recommend that the bad debt provision is reviewed periodically, with amounts which are deemed irrecoverable due to their age or other factors, being written off. Management response […]

Controls

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

B. 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

There are no adjusted misstatements to report.

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.

In addition, a small number of minor changes have been agreed with the Council in relation to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and understandability. The final set of accounts remains subject to review ahead of closure of the audit.

Disclosure details	Auditor recommendations	Adjusted?
Financial Instruments: Investments in money market funds (MMF) were categorised as held at amortised cost. This did not comply with the requirements of IFRS 9, which requires categorisation as Fair Value Through Profit and Loss (FVTPL) unless certain criteria are met.	Investments in money market funds should be categorised as FVTPL, and any gains or losses recognised in the CIES. Management have agreed to amend the financial instruments disclosure to address these issues, including restatement of the prior year comparative disclosures. We are satisfied that any gains or losses on the MMF investments are clearly trivial and the financial statements have not been amended in this respect.	✓
Grant income – Council as Agent: In the draft accounts presented for audit, we identified that the grant streams where the Council was acting as an agent had not been disclosed in the notes to the accounts, although the relevant cash and creditor balances had been recognised.	A disclosure should be added to enable the readers of the accounts to understand the transaction flows. Management have prepared an additional note to the accounts, Note 3e, which has been audited as part of our work on grant income.	✓
Cash Flow Statement and notes: We identified a small number of classification errors in the notes to the cash flow statement.	Management have agreed to amend the relevant sections of the financial statements to correct these classification errors.	✓

B. Audit Adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Estimated employer contributions to the LGPS used by the actuary to estimate the pension assets were £63k higher than actual values. This means that the assets have been overstated and therefore the net pension liability are understated by this amount.	63	(63)	63	Immaterial difference between estimated and actual values
Overall impact	£63	(£63)	£63	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the final set of the 2019/20 financial statements.

C. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	56,145	56,145
Total audit fees (excluding VAT)	£56,145	£56,145

Non-audit fees for other services	Proposed fee	Final fee
Certification of Housing Benefit subsidy claim	11,250	11,250
CFO Insights	4,125*	4,125*
Place Analytics	5,625*	5,625*
Total non-audit fees (excluding VAT)	£21,000	£21,000

* High Peak Borough Council holds a subscription to CFO Insights and Place Analytics on behalf of it itself and the Council. The fees included here are 50% of the total fees.

D. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report.

Independent auditor's report to the members of Staffordshire Moorlands District Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Staffordshire Moorlands District Council (the 'Authority') and its joint venture (the 'group') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Expenditure and Funding Account, Notes to the Core Statements, Notes to the Group Accounts and Notes to the Collection Fund Statement. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's 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 2020/21; 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 group and 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 Interim Executive Director & Chief Finance 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 or group'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 or the group to cease to continue as a going concern.

In our evaluation of the Interim Executive Director & Chief Finance 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 2020/21 that the Authority and group'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 group and 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 2020) 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 group and Authority and the group and Authority's disclosures over the going concern period.

D. Audit opinion

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 or the group'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.

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

The responsibilities of the Interim Executive Director & Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Interim Executive Director & Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Interim Executive Director & Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts , other than the financial statements of the Authority and group, and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE 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 and our knowledge of the Authority, 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

D. Audit opinion

- 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.

Responsibilities of the Authority, the Interim Executive Director & Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts set out on page 24, 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 Interim Executive Director & Chief Finance Officer. The Interim Executive Director & Chief Finance 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Interim Executive Director & Chief Finance 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 Interim Executive Director & Chief Finance Officer is responsible for assessing the Authority's and the group'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 there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Accounts Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

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. This description forms part of our auditor's report. 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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 group and 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 (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

D. Audit opinion

- We enquired of senior officers and the Audit and Accounts Committee, concerning the group and 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 senior officers, internal audit and the Audit and Accounts 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 and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' 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:
  - Transactions of high value (in relation to average value), transactions with a material impact on outturn, unusual transactions, and manual transactions.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Interim Executive Director & Chief Finance Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus with a focus on journals of high value (in relation to average value), journals with a material impact on outturn, unusual journals, and manual journals;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, investment properties, the LGPS net pension liability and Minimum Revenue Provision;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from 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.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, investment property, the LGPS net pension liability and minimum revenue provision.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's 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 and group 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 an understanding of:
  - the Authority and group'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.

D. Audit opinion

– The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

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 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

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, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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 April 2021. 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 – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Staffordshire Moorlands District Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

D. Audit opinion

- our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor’s Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

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 43 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.

Michael Green, Key Audit Partner

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

Manchester

Date:

E. Management Letter of Representation

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester

M3 3EB

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

Staffordshire Moorlands District Council

Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Staffordshire Moorlands District Council and its subsidiary undertaking, Ascent Housing LLP, for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 group and 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 2020/21 ("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 group and 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 group and Council 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 the valuation of investment properties. 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 group and Council financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the group and 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 group and Council financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.

E. Management Letter of Representation

xi. - We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached at Appendix 1. 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 and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and 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 group and Council means that, notwithstanding any intention to liquidate the group and Council or 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 group and 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 group and Council's ability to continue as a going concern need to be made in the financial statements

xv. - We have considered whether our Minimum Revenue Provision for unfunded capital expenditure relating to amounts loaned to Ascent Housing LLP has been calculated on a prudent basis, in accordance with regulations and statutory guidance. We confirm that we are satisfied that our Minimum Revenue Provision for 2020-21 is appropriate. The anticipated capital receipt upon the planned winding-up of Ascent Housing LLP will cover the outstanding loan balance and will be applied to reduce the Council's Capital Financing Requirement.

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 group and 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, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. 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 group and 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 group and Council's related parties and all the related party relationships and transactions of which we are aware.

E. Management Letter of Representation

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 group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Audit and Accounts Committee at its meeting on 22 October 2021.

F. Audit letter in respect of delayed VFM work

Councillor Jim Davies
Chair of Audit & Accounts Committee
Staffordshire Moorlands District Council

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This letter does not form part of the report to Those Charged With Governance under ISA260.

22 September 2021

Dear Councillor Davies,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we will not issue our Auditor's Annual Report, including our commentary on arrangements to secure value for money, before 30 September. We now expect to publish our report no later than 31 January 2022.

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

Yours sincerely,

Michael Green

Michael Green

Director

Grant Thornton

grantthornton.co.uk