



Date: Thursday, 26 June 2025

Time: 10.00 am

Venue: Council Chamber, Guildhall, Frankwell Quay, Shrewsbury SY3 8HQ

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AUDIT COMMITTEE

TO FOLLOW REPORT (S)

11 Third line assurance: External Audit, Audit Plan (Pages 1 - 56)

The report of the Engagement Lead is to follow.
Contact: Avtar S Sohal (0121) 232 6420

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The Audit Plan for Shropshire Council

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Year ending 31 March 2025

April 2025

Agenda Item 11



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01 Key developments impacting our audit approach

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Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, Presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to two-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We are expecting an interim plan in Spring 2025 and a full proposal by 28 November 2025.

Local context

Shropshire already has unitary local government but is not part of the Devolution Priority Programme (DPP). There is an expectation that Shropshire should also progress devolution in the timescales to be confirmed, as above.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
 - Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
 - Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. The 2022/23 audit opinion for Shropshire Council was within this 83%, and the backstop deadline was met for 2023/24.

We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding : Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care, SEND and homelessness. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context

New accounting standards and reporting developments

- Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on page 9.
- The FRC issued revisions to ISA (UK) 600 ‘Audits of group financial statements (including the work of component auditors)’. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements strengthen the auditor’s responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.
- The Council are in receipt of Exceptional Financial Support funding for 2024/25.

Our Response

- Detailed review of the authority’s implementation of IFRS 16. More information can be found on slide 20.
- Enhanced procedures in respect of audits of group financial statements
- We will undertake additional procedures around the receipt of Exceptional Financial Support funding and ensure disclosures in the financial statements are appropriate

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Executive Director of Resources.
 - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
- We would like to offer a formal meeting with the Chief Executive twice a year, and with the Executive Director of Resources quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
 - We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
 - We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.



IFRS 16 Leases



Summary

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

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

02 Introduction and Headlines

Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Shropshire Council (“the Council”) for those charged with governance.

Respective responsibilities

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

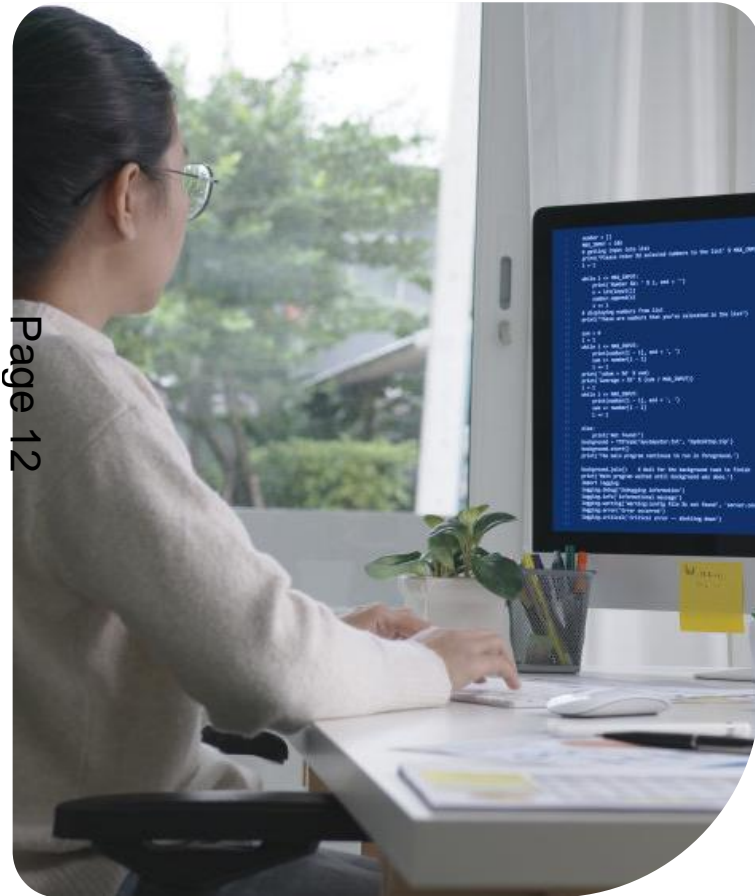
Scope of our Audit

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

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

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

Introduction and headlines (continued)



Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Land and Buildings (Council)
- Valuation of investment property (Council)
- Valuation of pension fund net liability (Council)

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of

- Shropshire Towns and Rural Housing (STARH) Ltd
- West Mercia Energy
- Cornovii Developments Limited
- West Mercia Supplies (Pension)

Materiality

We have determined planning materiality to be £13.086m (PY £9.5m) for the Council and £13.775m for the Group, which equates to 1.8% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £0.654 (PY £0.5m) for the Council and £0.688m for the Group.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Significant weakness identified in relation to the Council's financial sustainability in the medium term
- Significant weakness in arrangements identified in relation to NWRR project

Audit logistics

Our Planning & interim visit will take place in March & April and our final visit will take place in July to November. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £447,704 (PY: £442,931), subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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

03 Identified risks

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Significant risks identified

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.

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>Group and Council</p>	<p>The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• Evaluate the design effectiveness of management controls over journals;• Analyse the journals listing and determine the criteria for selecting high risk unusual journals;• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;• Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence: and• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions

“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p> <p>Group and Council</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Shropshire Council and its subsidiaries mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Council</p>	<p>Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council's revenue streams, as they are material. We will:</p> <p><u>Accounting policies and systems</u></p> <ul style="list-style-type: none">• evaluate the Council's accounting policies for recognition of income for its various income streams and compliance with the CIPFA Code• update our understanding of the Council's business processes associated with accounting for income <p><u>Fees, charges and other service income</u></p> <ul style="list-style-type: none">• Agree, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. <p><u>Taxation and non-specific grant income</u></p> <ul style="list-style-type: none">• Income for national non-domestic rates and council tax is predicable and therefore we will conduct substantive analytical procedures• For other grants we will sample test items back to supporting information and subsequent receipt, considering accounting treatment where appropriate <p>We will also design tests to address the risk that income has been understated, by not being recognised in the current financial year.</p>

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	Having considered the nature of the expenditure of the expenditure streams of Shropshire Council, and on the same basis as set out above for revenue, we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition.	<p>Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council’s expenditure streams, as they are material. We will:</p> <p><u>Expenditure</u></p> <ul style="list-style-type: none">• update our understanding of the Council's business processes associated with accounting for expenditure• evaluate the Council's accounting policies for recognition of expenditure for its various material expenditure streams and compliance with the CIPFA Cade• agree, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence <p>We will also design tests to address the risk that expenditure has been overstated, by not being recognized in the current financial year.</p>

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Valuation of other land and buildings (£431.4m per 2023/24 financial statements)	Council	<p>The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years and are subject to an annual desktop review, in year where a full valuation is not undertaken.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We will focus our audit attention on those assets that have large/unusual changes in valuation or approaches to valuation, including key inputs, has changed. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will report an updated risk assessment of land and buildings in our Audit Findings Report.</p>	<p>We will:</p> <ul style="list-style-type: none">• Evaluate management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;• Evaluate the competence, capabilities and objectivity of the valuation expert;• Write to the value to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met;• Challenge the information and assumptions used by the value to assess completeness and consistency with our understanding;• Engage our own valuer to assess the instructions issued by the Council to its valuer, the scope of the Council’s valuer’s work, the Council’s valuer’s reports and the assumptions that underpin the valuations;• Test revaluations made during the year to see if they had been input correctly into the Council’s asset register;• Evaluate the assumptions made by management for those assets not revalued during the year end how management have satisfied themselves that these are not materially different from current value at year end .• For all assets not formally revalued or revalued on an indexation basis only, evaluate the judgements made by management or others in the determination of current value of these assets.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
<div>Valuation of Investment Property</div> <div>(£43.029m per 2023/24 financial statements)</div>	Council	<div>The Council carries out a rolling programme that ensures that all Investment Properties required to be measured at current value is revalued at least every 5 years and are subject to an annual desktop review, in year where a full valuation is not undertaken.</div> <div>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</div> <div>We will focus our audit attention on those assets that have large/unusual changes in valuation or approaches to valuation, including key inputs, has changed. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will report an updated risk assessment of land and buildings in our Audit Findings Report.</div>	<div>We will:</div> <div><ul style="list-style-type: none">Evaluate management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;Evaluate the competence, capabilities and objectivity of the valuation expert;Write to the value to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met;Challenge the information and assumptions used by the value to assess completeness and consistency with our understanding;Engage our own valuer to assess the instructions issued by the Council to its valuer, the scope of the Council’s valuer’s work, the Council’s valuer’s reports and the assumptions that underpin the valuations;Test revaluations made during the year to see if they had been input correctly into the Council’s asset register;Evaluate the assumptions made by management for those assets not revalued during the year end how management have satisfied themselves that these are not materially different from current value at year end .For all assets not formally revalued or revalued on an indexation basis only, evaluate the judgements made by management or others in the determination of current value of these assets.</div>

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net liability (£38.587m per 2023/24 financial statements)	Group and Council	<p>The pension fund net liability, reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The Council's pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code 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.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. 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.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• update 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;• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;• test 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;• undertake 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; and• obtain assurances from the auditor of Shropshire County 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.

Other risks identified

Risk	Audit team’s assessment	Planned audit procedures
Implementation of IFRS16 Leases	IFRS16 Leases was implemented by the Council from 1 April 2024. This new standard sets out the principles for recognition, measurement, presentation and disclosure of leases and replaces IAS17. The aim of the standard is to ensure that lessees and lessors present this accurately – for example, those leases previously assessed as operating leases by lessees will need to be accounted for on a balance sheet as a liability and associated right of use asset. This will provide a basis for users of the financial statements to assess effects that leases have on the financial position, financial performance and cash flows of an entity.	<p>We will:</p> <ul style="list-style-type: none">• Update our understanding of the processes and controls put in place by management to ensure that the Lease Liability and Right of Use Asset on the Balance Sheet is accurate and complete• Review accounting policies and associate disclosures relating to leases• Understand the basis of the accounting estimate including models, method and experts used• Understand how the Council identifies peppercorn rentals and recognizes these under IFRS16• Obtain sufficient and appropriate audit evidence to support management’s process and testing of leases

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

04 Group Audit

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Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Risks identified	Auditor
Shropshire Council	Yes	Audit of the entire financial information of the component	Group auditor	See pages 13 to 21 of this report for risks identified.	Full scope audit performed by Grant Thornton UK LLP
Shropshire Towns and Rural Housing (STARH) Ltd	No	Analytical procedures at group level	Group auditor	None identified	Analytical review performed by Grant Thornton UK LLP.
West Mercia Energy	No	Analytical procedures at group level	Group auditor	None identified	Analytical review performed by Grant Thornton UK LLP.
Cornovil Developments Limited	Yes	Specific audit procedures	Component auditor	Inventory and creditors balances are material	Azets UK
West Mercia Supplies (Pension)	No	Analytical procedures at group level	Group auditor	None identified	Analytical review performed by Grant Thornton UK LLP.

Involvement in the work of component auditors

In order to use the work of the component auditor, we will require the ability to access relevant component auditor documentation to complete our group audit. The nature, time and extent of our involvement in the work of Azets UK will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the Azets UK audit documentation and meeting with appropriate members of management.

We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.

If we are unable to secure access to the component auditor’s working papers we will report the impact of such impediments on the audit of the group financial statements.

Where a member of the Grant Thornton International network is involved, we will communicate to them your policy on non-audit services. You will ensure that each component entity within your group is aware of your policy.

05 Our approach to materiality

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.

Matter	Description	Planned audit procedures
01	Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements. Materiality at the planning stage of our audit is £13.775m for the Group and £13.086m for the Council, which equates to 1.7% of your draft gross expenditure for the period.	<ul style="list-style-type: none"> We determine planning materiality in order to: <ul style="list-style-type: none"> establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements assist in establishing the scope of our audit engagement and audit tests determine sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"> An item may be considered to be material by nature when it relates to: <ul style="list-style-type: none"> instances where greater precision is required
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"> We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	Matters we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none"> We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council and Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.688m for the Group and £0.654m for the Council. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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.

	Group Amount (£'000)	Council Amount (£'000)	Qualitative factors considered
Materiality for the financial statements	13,775	13,086	We determined materiality for the audit of the Council's financial statements as a whole to be £13.775m (Group) and £13.086m (single entity statements), which equates to approximately 1.8% of the gross operating expenses in the prior period. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Materiality for senior officer remuneration	N/A	17	In accordance with ISA 320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts. We have determined a lower materiality for senior officer remuneration disclosures (at individual officer level) linked to the total value of disclosures and applying the same 1.8% benchmark as for the main financial statements.



06 Progress against prior year audit recommendations

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Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Council’s financial statements, which resulted in nine recommendations being reported in our 2023/24 Audit Findings Report.

Assessment	Issue and risk previously communicated	Recommendations
Completed	<p>IT audit findings</p> <p>Two recommendations were made in 2023/24 that have been followed up and no outstanding recommendations exist.</p>	
In progress	<p>Operating Expenditure</p> <p>As part of operating expenditure testing performed in 2023/24, one error was identified where one item of expenditure had been included within the incorrect financial year as the necessary prepayment had not been accounted for. Whilst we are satisfied this did not result in a material misstatement within the financial statements it is considered poor accounting practice. Costs should be accounted for in the appropriate year.</p>	<p>Recommendation:</p> <ul style="list-style-type: none">• The Council should review its commitment accounting procedures to ensure expenditure is recorded in the correct financial period.

Progress against prior year audit recommendations

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Assessment	Issue and risk previously communicated	Recommendations
In progress	<p>Group arrangements</p> <p>As a Local Government organisation the Council prepares its accounts under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. This code sets out the accounting principles, practices, and reporting requirements specifically tailored to the unique financial and operational environment of local government entities.</p> <p>Cornovii Developments Limited prepares its financial statements under a different regulatory framework. As such, accounting treatments can differ based on relevant regulatory and accounting frameworks.</p> <p>Group accounting is a complex area. In 2023/24, the inventory balance within Cornovii Developments Limited, a wholly owned subsidiary, increased significantly based on the prior year, £32m as at 31 March 2024 compared to £7m in the prior period.</p> <p>The Council’s narrative reporting and working papers to support group accounting transactions did not demonstrate consideration of the differing accounting treatments or risks the Council is exposed to in terms of group accounting transactions.</p>	<p>Recommendations: The Council should:</p> <ul style="list-style-type: none">• Review accounting policies in relation to group arrangements and enhance documented consideration of group accounting requirements.• Review narrative reporting in relation to group arrangements. As per CIPFA Code, the Narrative Report should allow the users to understand how materiality and the Group Accounts boundary decisions are made in relation to what is included in the financial statements of the Council and the impact on the financial statements. The Council’s Narrative Report does not include this disclosures.• Demonstrate it has considered wider implications of group accounting for emerging issues, for example IFRIC 14 and its impact on the Group financial statements.
In progress	<p>Year-end reports</p> <p>In some instances, reports from subsidiary systems to support values within the financial statements did not agree to stated values.</p> <p>Whilst reports could be generated retrospectively with non-material differences, there is the risk that if the Council does not centrally store all reports relevant, which underpin the financial statements, that there could be material differences in future periods.</p>	<p>Recommendation: Ensure all year end reports are generated and saved from subsidiary systems and carry out checks to confirm reports support values within the financial statements or underlying reconciliations.</p>

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Recommendations
In progress	<p>Internal valuer terms of engagement</p> <p>The Council has utilised its internal valuations team as 'management expert' for a number of property valuations. The Council does not issue terms of engagement to its internal valuation team.</p> <p>Without formal terms of engagement there can be a gap in expectations and the relative responsibilities of the finance team and property team.</p>	<p>Recommendation :</p> <p>In line with external valuer engagements, the council should formalise its internal arrangements in terms of valuation requirements. Although not exhaustive, as a minimum these should include:</p> <ul style="list-style-type: none">• Background and Objectives: A clear description of the background leading to the need for the valuation and the specific objectives that the valuation is intended to achieve.• Scope of Work: A detailed outline of the scope of the valuation work to be performed• Reporting Requirements: Specifications regarding the format, content, and timing of the valuation report, including the intended audience and any regulatory or legal requirements that need to be addressed.• Data and Information: Clarity on the access to and availability of the relevant data, documentation, and information necessary for the valuation process, including any limitations or restrictions.• Independence and Impartiality: Confirmation of the valuer's independence, impartiality, and freedom from conflicts of interest, along with any disclosure requirements related to potential conflicts.• Compliance and Standards: Acknowledgment of adherence to relevant professional standards, regulatory requirements, and best practices in the field of valuation.• Communication and Collaboration: Expectations for communication, collaboration, and updates throughout the valuation process, including key points of contact and the process for addressing queries or clarifications.• Fees and Expenses: Agreement on the compensation structure, including internal recharges• Clarity on the expected deliverables, milestones, and the overall timeline for completion of the valuation work.

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Recommendations and update on actions taken to address the issue(s)
In progress	<p>Revenue Expenditure Funded through Capital Under Statute (REFCUS)</p> <p>Although below the trivial limit for reporting within schedule of misstatements, our testing of REFCUS identified one item which did not meet the definition of REFCUS.</p>	<p>Recommendations</p> <p>The Council should specifically review expenditure allocated as REFCUS to ensure correctly classified.</p>
In progress	<p>Bad Debts</p> <p>The Council has a high volume of debts which over 10 years old, many of which have 100% provision against them, recognising they are unlikely to be collected.</p> <p>The Council's debtors ledger is 'cluttered' by debtor accounts which have been approved as uncollectable.</p>	<p>Recommendations</p> <p>The Council should schedule a review of all old debtors accounts and make appropriate write offs as required.</p>
In progress	<p>Data supplied to valuer</p> <p>Outdated information was supplied to the valuer for the EUV asset valuation, leading to the valuer using inaccurate information as the basis for the valuation. Consequently, there is a risk that the assets of the Council may not be recorded at the accurate value within the financial statements.</p>	<p>Recommendations</p> <p>The Council should establish effective quality control measures to verify the accuracy of key valuation inputs before it is provided to valuation experts.</p>

07 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Related significant risks / other risks	Planned level IT audit assessment
Unit 4 ERP	Management override of controls	Detailed ITGC assessment completed by internal expert. (design effectiveness only)
	Valuation of property, plant and equipment and investment property	
	Valuation of pension liability	
Active Directory	Management override of controls	Detailed ITGC assessment completed by internal expert. (design effectiveness only)
	Valuation of property, plant and equipment and investment property	
	Valuation of pension liability	

08 Value for Money Arrangements

Value for Money Arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

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.

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	R	<p>Significant weakness raised in relation to council's financial sustainability in the medium term</p> <p>Risk of significant weakness in arrangements in relation to the Council's financial sustainability in the medium term.</p> <p>A significant weakness raised in the prior year is a clear indicator of a risk in the current year.</p>	<p>Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists.</p> <p>Given that the Council has been awarded Exceptional Financial Support of £25.6m for 2024/25 we will review the progress of the savings programme, along with the financial outlook of the Council. These procedures will include a review of the MTFS and the assumptions used, along with the plans around reserves. We will assess the success the Council has had in delivering savings and assessing its long term options. We will also assess any documentation with regards to EFS.</p>
Governance	R	<p>Significant weakness raised in relation to the North West Relief Road (NWRR) project</p> <p>Risk of significant weakness in arrangements in relation to the NWRR project</p> <p>A significant weakness raised in the prior year is a clear indicator of a risk in the current year.</p>	<p>Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists.</p> <p>We undertook a detailed review of the NWRR project in 2023/24 and we do not propose to repeat the detailed nature of this work. As the NWRR project remains a live issue for the Council we will undertake a review of the action taken by the Council to address the recommendations raised in relation to this significant weakness.</p>
Improving economy, efficiency and effectiveness	A	<p>No risks of significant weakness reported; improvement recommendations made</p> <p>No risks of significant weakness identified</p>	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24.</p>

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

09 Logistics

Logistics

The audit timeline

Key
Dates

Year end:
31 03 2025

Close out:
November 2025

Sign off:
December 2025

Audit committee:
05 Feb 2026

Audit
phases:
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Planning –
March 2025

Interim –
April 2025

Final –
July 2025 to Nov
2025

Completion –
November 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Audit Committee
- Issue the Audit Plan to management and Audit Committee
- Planning meeting with Audit Committee to discuss the Audit Plan

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Issue Audit progress report and sector update to management and Audit Committee
- Any planned additional testing.

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- ‘Hot review’ of the financial statements
- Draft Audit Findings issued to Audit Committee
- Audit Findings presentation to Audit Committee
- Auditor’s Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Avtar S Sohal
Key Audit Partner

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

Pool of [xx] specialists and other technical specialists (eg IT audit)

Siobhan Barnard
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Sonu Jain
In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

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

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

10 Fees and related matters

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Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Shropshire Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £400,504.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Company	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Shropshire Council Audit	367,241	400,504
ISA 315	15,690	N/A
Auditor expert – PPE valuations	N/A	7,500
IFRS 16	N/A	TBC
Additional group procedures regarding Cornovii Developments Limited – Inventory balance	9,000	9,000
Additional Value for Money procedures regarding NWRR	15,000	N/A
Audit of subsidiary company Shropshire Towns and Rural Housing Limited (STaRH) (Fee is paid for by STaRH Housing)	36,000	38,200
Total (Exc. VAT)	£442,931	£455,204

Our fee estimate:

- We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:
- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
 - provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
 - provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
 - maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
 - Set out the assumed use of experts in each relevant area, such as Other Land and Building

Previous year

In 2023/24 the scale fee set by PSAA was £367,241. The actual fee charged for the audit, including audit of subsidiary companies (where applicable) was £442,931, with £45,000 being directly related to the Group.

11 Independence considerations

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Independence considerations

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

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

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

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

Following this consideration we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following table sets out the non-audit services charged from the beginning of the financial year to March 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats. The below non-audit services are consistent with the group’s policy on the allotment of non-audit work to your auditor. None of the below services were provided on a contingent fee basis. For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Shropshire Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived threats from these fees as detailed below.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Housing Capital Receipts	TBC	<ul style="list-style-type: none">Self-Interest (because this is a recurring fee)Self reviewManagement	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 expected to be low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
Teachers Pension Return	TBC	<ul style="list-style-type: none">Self-Interest (because this is a recurring fee)Self reviewManagement	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 expected to be low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
Housing Benefit Subsidy Claim	TBC	<ul style="list-style-type: none">Self-Interest (because this is a recurring fee)Self reviewManagement	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 expected to be low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
Comparative review of approach to rail devolution and comparison to the WMRE Blueprint	75,000	<ul style="list-style-type: none">Self-InterestSelf review	This fee is related to work where WMCA is the primary customer, with Shropshire Council only impacted if this comes to fruition. The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is expected to be low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed, one-off fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, we are not producing any reports that would lead to figures in the financial statements. Additionally, there is a separate team that does this work and the advisory team would not work on the audit. The audit team would also not work on the advisory work.
Total	TBC		

Total proposed audit and non-audit fee

£438,704	Audit Fee	£TBC	Non-Audit fee
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12 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

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Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

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

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

13 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

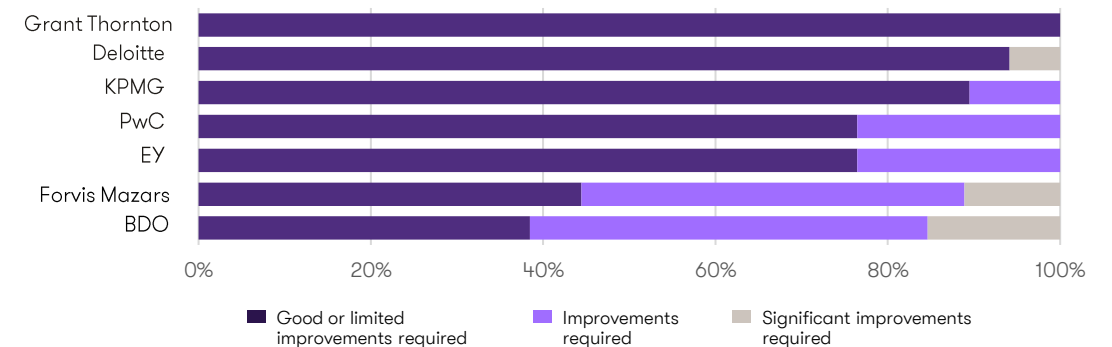
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



14 Appendices

Escalation Policy



The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

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IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from 1 April 2025.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01

Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement



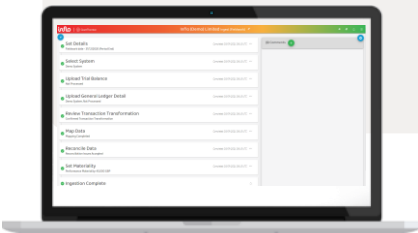
02

Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



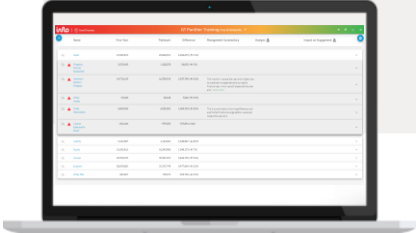
03

Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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