The Audit Findings for Tamworth Borough Council

Year ended 31 March 2023

Contents

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Laurelin Griffiths
For Grant Thornton UK LLP
24 April 2024

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Tamworth Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

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

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

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

Our audit work has been substantially completed during July - August. Our findings are summarised on pages 6 to 19. We have identified some errors in the financial statements which have been adjusted. These have been set out on pages 28 & 29. We have also identified some errors in the financial statements which have not been adjusted, these are detailed in Appendix D. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- receipt of signed management representation letter; and
- review of the final, signed set of financial statements

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

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is complete. The outcome of our VFM work is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR) which is also presented to this committee. There are no findings which have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed all of our VFM work and our Auditor's Annual Report is being presented to this committee. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness. Though we have identified some improvement recommendations these do not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work after the Audit and Governance committee on the 24 April 2024.
Significant matters	There have been changes to the finance team over the last year which have led to some difficulty in receiving responses to our queries in a timely manner or evidence which is sufficient for our audit purposes. This has meant that the audit had not as progressed as quickly as we had anticipated.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Tamworth Borough Council's borrowings have remained consistent over recent years.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, which was communicated to you on the 27 June 2023.

Conclusion

We have substantially completed our audit of your financial statements. Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is complete. The outcome of our VFM work is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR) which is also presented to this committee. There are no findings which have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Acknowledgements

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

We have faced challenges in completing our audit again this year, including: evidence supplied not being sufficient for audit purposes requiring the team to spend longer on substantive testing; and queries in relation to property, plant and equipment valuations where significant errors have been identified.

This resulted in us having to spend longer than anticipated on certain audit tests, as summarized within appendix D to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements

Our approach to materiality

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

We have revised the performance materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

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

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,250,000	Gross expenditure increased between the prior year and current year. Whilst the materiality value has increased, we have reduced the percentage applied to c.1.8%.
Performance materiality	875,000	There have been changes to the finance team in year which we have considered when setting our performance materiality.
Trivial matters	62,500	This is 5% of the materiality value set above.
Materiality for senior officers' remuneration	10,000	This disclosure is likely to be of interest to the public, and therefore we set a lower materiality to detect errors to a higher precision.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested high risk unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our detailed testing of journals and accounting policies is complete. We have not identified any issues from our work at this time. Our review of significant estimates in the financial statements has identified a small number of matters which are reported on in more detail later in this report. These matters include an error on the valuation of garages within property, plant and equipment. The Council have not adjusted for this and this is reported within Appendix D.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Risk of fraud in revenue recognition and expenditure (Rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. 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: • 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 Tamworth Borough Council mean that all forms of fraud are seen as unacceptable. Whilst not a presumed significant risk, we have had regard to Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure may well be greater than that of income. Having considered the risk of improper recognition of expenditure at Tamworth Borough Council we are satisfied that this is not a significant risk for the same reasons set out above.	Notwithstanding that we have rebutted this risk, we have still undertaken a significant level of work on the Council's revenue streams, as they are material. We have: Accounting policies and systems • Evaluated the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code • Updated our understanding of the Council's business processes associated with accounting for income Fees, charges and other service income • Agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. Taxation and non-specific grant income • Income for national non-domestic rates and council tax is predictable and therefore we have conducted substantive analytical procedures • For other grants we have sample tested items back to supporting information and subsequent receipt, considering accounting treatment where appropriate. Expenditure • Updated our understanding of the Council's business processes associated with accounting for expenditure • Agreed, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence We have also tested a sample of post year end invoices raised, invoices received, payments made, and payments received in order to test whether items have been accounted for in the correct financial year We have identified one issue in relation to invoices received post year end which the Council cannot evidence have been accrued for in 2022/23. This related to an invoice from Equans for the value of £40k. Whilst a year end accrual was estimated and raised based on jobs completed but unpaid at year end, it is not possible to directly trace back this invoice to prove it has been accrued for, we are therefore treating this as an error. We have tested 6 similar transactions as part of this test and are satisfied the error can be isolated due to the nature of how the accrual is calculated. The expected error is £110k. This has been included within Appendix D. We also identified two further errors in relation to income and expenditure completeness however the impact of these is trivial and therefore no further action has been taken.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of council dwellings, other land and buildings and investment property Revaluation of council dwellings, other land and buildings and investment property should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. The Council revalues its land and buildings on a rolling basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. 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. We reported to you in our audit plan that we would pinpoint the risk once the draft financial statements had been published and our final accounts audit had begun. We concluded that significant risk assets were those where the movement in valuation was outside of our expectation when compared to market data.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly; and • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Council Dwellings We have completed our work in relation to the valuation of council dwellings. We have not identified any issues in relation to the valuation of council dwellings. Other Land and Buildings We have completed our work in relation to the valuation of other land and buildings. We have identified two errors. Firstly, the valuer had incorrectly split the valuations of a number of land and buildings to the wrong asset code. This has meant that the valuation of the building element of the asset has been entered onto the land code and vice versa. This has led to an error in the revaluation reserve of £63k. The second error is in relation to the valuation of land of garages. The value had been overstated by £565k as the valuer had counted the land element of the valuation twice. Investment properties Our work on this area is complete. We have not identified any issues in relation to the valuation of investment properties, however, we have identified that £68k of rental income relating to other land and buildings properties has been incorrectly classified as investment property income. Management are not proposing to adjust for this error.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	**Commentary**
Valuation of pension fund net asset The Council's pension fund net asset, as reflected in its balance sheet as Other Long-Term Assets, represents a significant estimate in the financial statements. The pension fund net assets is considered a significant estimate due to the size of the numbers involved (£1m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 asset. We have concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net asset as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net asset is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the asset; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. • obtained assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We have now completed our work in relation to the net pension asset included within the draft financial statements. The CIPFA Code states under paragraph 6.4.3.27 that an authority is required to measure the net defined benefit asset at the lower of: • The surplus in the defined benefit plan, and • The asset ceiling, determined using the discount rate specified in paragraph 6.4.3.8 of the Code. We have reviewed the asset ceiling calculation produced by the actuary and an adjustment has been made to reflect the liability, due to the asset ceiling, of £6.8m. No further issues have been identified in relation to the net defined benefit pension liability.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £23m	Other land and buildings comprises £6.7m of specialised assets such as community halls and cultural buildings, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£16.3m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Jones Lang LaSalle (JLL) to complete the valuation of properties as at 31 March 2023. 100% of total assets were revalued during 2022/23. The total year end valuation of land and buildings was £23m, a net decrease, as a result of the revaluations, of £0.3m from 2021/22.	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate, but this work is still ongoing. • We have no concerns over the competence, capabilities and objectivity of the valuation experts used by the Council. • We have assessed the consistency and reasonableness of the valuer's methods and assumptions; we have not identified any issues; and • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Montagu Evans as our auditor's expert. Our findings are detailed on page 10.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £22m	The Council has engaged JLL to complete the valuation of properties as at 31 March 2023. 100% of total assets were revalued during 2022/23. The total year end valuation of investment property was £22.4m, a net decrease, as a result of revaluations, of £3.1m from 2021/22 (£25.5m).	We have: • tested a sample of investment property valuations, focusing our sample on assets which are outside of our expectation or that have had a large movement in assumptions compared to 2021/22; • considered the movements in the valuations of individual assets and their consistency with indices provided by Montagu Evans as our auditor's expert; and • no concerns over the competence, capabilities and objectivity of the valuation experts used by the Council. We have not identified any errors in relation to the valuation of investment property.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Land and Buildings – Council Housing - £243m	The Council owns 4,305 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged JLL to complete the valuation of these properties. The year end valuation of Council Housing was £243m, a net decrease, as a result of revaluations, of £7.5m from 2021/22.	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. • There have been no changes to the valuation method this year. • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Montagu Evans as our auditor's expert. • Disclosure of the estimate in the financial statements is considered adequate. We have not identified any errors in relation to the valuation of council housing.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension asset – £1m

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

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</td>
<td>The Council's net pension asset at 31 March 2023 is £1m (PY – liability of £32.3m) comprising the Staffordshire Pension Fund Local Government Pension Scheme. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

A full actuarial valuation was completed in 2022/23. Given the significant value of the net pension fund asset, small changes in assumptions can result in significant valuation movements. There has been a £37m net actuarial gain during 2022/23.</td>
<td>

We have no concerns over the assessment of management's expert
We have no concerns over the assessment of the actuary's approach taken
We have used PwC as auditors expert to assess assumptions made by the actuary – see table below for comparison made
We have confirmed that the Council's share of LGPS pension assets is in line with expectations
We have confirmed that the disclosure of the estimate in the financial statements is considered adequate.

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.75%</td><td>4.75%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>3.00%</td><td>2.85% - 3.00%</td><td>●</td></tr>
<tr><td>Salary growth</td><td>3.5%</td><td>3.45% - 5.45%</td><td>●</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>21.1/21.9</td><td>NA</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>24.1/26.0</td><td>NA</td><td>●</td></tr>
</table>
PwC have not provided ranges for the mortality assumptions of Hymans Robertson as the actuary uses individual employer level life expectancies. PwC have confirmed that the methodology used is reasonable.

We have now completed our work on the net pension asset, which has resulted in an adjustment to the accounts. Our findings are detailed on page 11.
</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £1.8m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management use historic data relating to appeal success rates and the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) to calculate the level of provision required.	• We have not identified any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other bodies in the sector. • Disclosure of the estimate in the financial statements is considered adequate. • There have been no changes to the overall calculation method this year but see below for a change related to a specific item. No issues have been identified.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements: Information Technology

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

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
E-financials	ITGC assessment (design effectiveness only)	🟡	🟡	🟢	🟢	Management override of controls

Assessment

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

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council’s counterparties. This permission was granted and the requests were sent. Where responses were not received, we undertook alternative procedures to confirm balances with no issues noted.

2. Financial Statements: other communication requirements

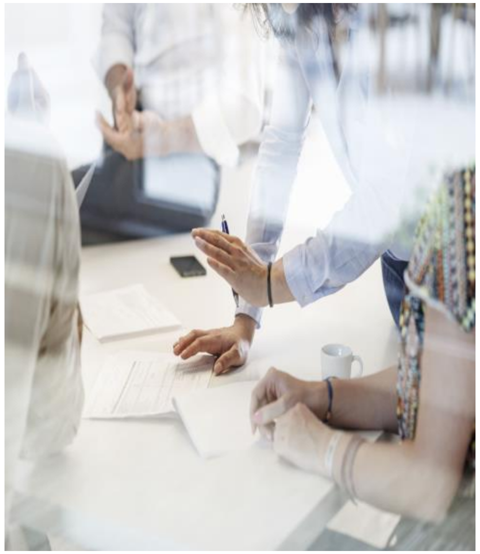
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have nothing to report on these matters at the time of writing this report
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Tamworth Borough Council following the Audit and Governance committee on 24 April 2024.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

We have completed all of our VFM work and our Auditor's Annual Report is being presented to this committee.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness. Though we have identified some improvement recommendations these do not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following audit related services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

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

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

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

Details of fees charged are detailed in Appendix D.

Transparency

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

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefit subsidy certification 2021/22 (May 2022 – January 2023)	16,000	For these audit-related services, we consider that the following perceived threats may apply: • Self Interest (because these are recurring fees) • Self Review • Management	The level of recurring fees taken on their own is not significant in comparison to the confirmed scale fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors all mitigate the perceived self-interest threat to an acceptable level. Our team has no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statement to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to the audit of the financial statements, and is performed after the audit of the financial statements has been completed. The scope of work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.
Certification of Pooling of Housing Capital Receipts 2021/22 (January 2023)	6,000		
Housing Benefit subsidy certification 2022/23 (May 2023 – January 2024)	18,800		
Certification of Pooling of Housing Capital Receipts 2022/23 (September 2023 – October 2023)	7,500		
There were no non-audit related services			

4. Independence and ethics

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the investments 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, 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
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’s Audit and Governance Committee, senior management or staff.

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

Following this consideration we can confirm that we are independent 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.

Appendices

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Tamworth Borough Council's 2021/22 financial statements, which resulted in three recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note two are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	We have identified a deficiency regarding the review of security logs. The Council do not review security logs on all of their systems due to the number and size of the logs. The Council received updates regarding potential threats from their various cyber security information sources such as NCSC and West Midlands Police and where relevant would review specific logs in response, but they do not review generally on a periodic basis.	The Council should review security logs on a periodic basis. **Management response** Due to the number of threats, it is not currently practical or possible to resource a manual review of all security logs unless there's a specific reason i.e. in response to a known threat or alert from our cyber security information sources. In mitigation we have various services which alert us to known cyber threats, we also proactively scan our network for vulnerabilities and patch our systems regularly. However, this issue has been recognised and an assessment is underway on the options for a cost effective Security Incident and Event Management system (SIEM) which automates reviewing of security logs for key infrastructure.
✓	We have identified that the Council have several assets within their asset register which are held at a nil net book value. The gross book value of these assets is £3.6m and whilst there is no impact on the balance sheet, this does inflate the gross book value and accumulated depreciation in note 14. From the work that we have performed we have assurance that these assets are not materially misstating the financial statements. However, a significant balance of assets being held at nil net book value may indicate that these assets were depreciated prematurely.	The Council has conducted a review of the assets which had a nil net book value and disposed of these where appropriate. We are satisfied this item is now closed.

Assessment

✓	Action completed
X	Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Tamworth Borough Council are part of a joint waste service with Lichfield District Council. The Council's share of the assets and liabilities is 41.7% however management have previously assessed that these do not need to be included within the Council's financial position. Our view is that, in line with the Council's accounting policy for 'Joint Operations', the Council should be recognising its share of these assets and liabilities, as it does with its share of the income and expenditure. The total net book value of the assets in question is £nil and the total lease liability is immaterial, so we are satisfied that this does not lead to a material misstatement in the Council's balance sheet.	It has been agreed that as the impact on the balance sheet is not material that the Council would not adjust for this error. When the arrangement is renewed it is expected to be material to the financial statements, and the Council's assessment of the appropriate accounting treatment will need to be revisited at this point.

Assessment

✓ Action completed

X Not yet addressed

C. Audit recommendations

We identified the following issues in the audit of Tamworth Borough Council's 2022/23 financial statements. These are set out in the table below

Assessment	Issue and risk previously communicated	Management response
X	During our payroll testing, we selected some casual workers. Management confirmed that they do not hold resignation or termination letters for casual staff. It is recommended that these records are maintained.	Agreed

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
The disclosure within note 2 of the Housing Revenue Account is overstated by £24k.	Whilst this is a trivial difference, management have opted to adjust for this.	Yes
Note 18 includes a reduction in debtors for invoices raised in advance for 2022/23. This line should not be included separately within debtors.	Management should remove the debits and credits relating to these items. **Management response** Management have determined that they are not going to adjust for this matter as they feel it accurately reflects the position with regard to debtors and adds additional information which is useful to the user.	No
Note 19 does not correctly present the cash balances of the Council due to reserve account balance being netted off with the current account balances	The financial statements should be updated to accurately reflect the cash position of the Council.	Yes
Within the related party disclosure note there is a difference in other income amount.	The financial statements should be updated to accurately reflect the other income attributed to the related party.	Yes
Cash Flow Statement and Supporting Notes - some differences have been noted when reconciling figures per the Cash Flow Statements and supporting Notes to other Notes within the Draft Accounts.	The financial statements should be updated to ensure they are consistent throughout.	Yes
The audit fees do not reconcile to those presented in the audit plan	The financial statements should be updated to reflect the correct audit fee.	Yes
We have identified various trivial presentation matters.	These items include changes to; references, prior year values to remain consistent with the audited financial statements of the prior year and removal of rows within the financial statements which were not necessary.	Yes
Infrastructure assets are included within Note 14. Per the updated guidance from CIPFA, these should be presented on a net basis as opposed to a gross basis.	Management should remove infrastructure from Note 14 and include within its own note. **Management response** Management have determined that they are not going to adjust for this matter as the value is £88k and therefore not material.	No

D. Audit Adjustments (continued)

Impact of adjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net cost of services £'000	Impact on general fund £'000
Dr CIES/Unusable Reserves £7,932k Cr Net Pension Asset/Liability £7,932k Being the impact of the asset ceiling calculation in relation to the Net Pension Asset.	7,932	(7,932)	-	-
Overall impact	7,932	(7,932)	-	-

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

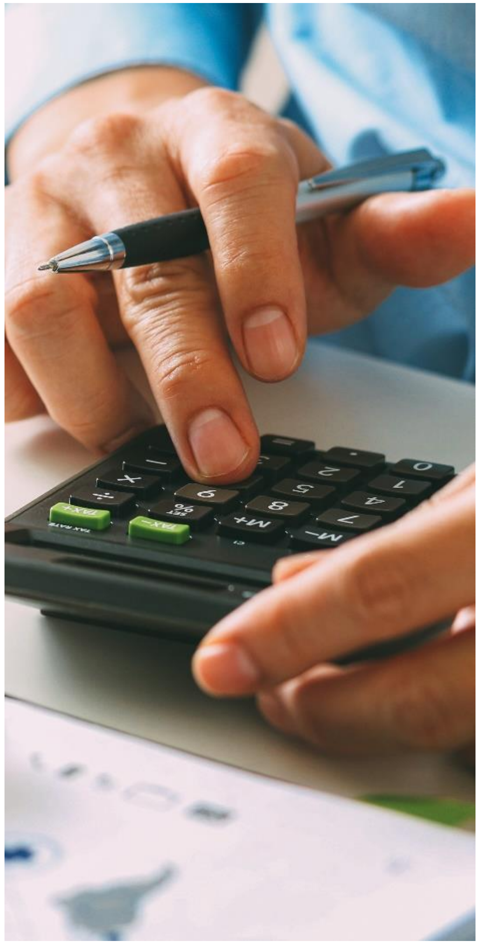
Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net cost of services £'000	Impact on general fund £'000	Reason for not adjusting
Dr Revaluation Reserve £63k Cr Capital Adjustment Account £63k Being incorrect treatment of Housing revaluations in the Other Land and Buildings category.	-	63 (63)	-	-	Impact is not material
Dr VPFE – Accumulated Depreciation £250k Cr VPFE – Cost £250k Being assets held with a nil net book value that should have been disposed of by the Council.	-	250 (250)	-	-	Impact is not material
Dr Debtors £168k Cr Creditors £168k Being creditors understated for amounts received in advance for invoices raised prior to year-end.	-	168 (168)	-	-	Impact is not material
Dr Investment Property Income £68k Cr General Fund Housing Income £68k Being rental income from OLB housing incorrectly treated as Investment Property income.	68 (68)	-	(68)	-	Impact is not material

D. Audit Adjustments (continued)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net cost of services £'000	Impact on general fund £'000	Reason for not adjusting
Dr Revaluation Entries £565k Cr Other Land and Buildings £565k Being overstatement of the valuation of garage land as this was double counted by the valuer.	-	565 (565)	-	-	Impact is not material
Dr Other Expenditure £110k Cr Creditors £110k Being the under-accrual of expenditure. This has been identified through our completeness testing.	110	(110)	£110		Impact has been extrapolated and is not material
Overall impact	**£110**	**(£675)**	**£42**	£-	

D. Audit Adjustments



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on Cost of Services £'000	Reason for not adjusting
Joint waste arrangements Liabilities of the joint waste arrangement are not shown on Tamworth Borough Council's balance sheet.	143	(143)	143	Impact is not material
Assets not revalued The Council uses a rolling programme for revaluing its property, plant and equipment. There have been £732k of assets not revalued in year which if they were revalued would increase in value by £224k.	(224)	224		Impact is not material
Opening balances incorrect We have identified that the revaluation reserve and the capital adjustment account opening balances are misstated by £373k. The closing balances are correct in the financial statements	-	373 (373)		Impact is not material
Overall impact	(81)	81	143	

E. Fees and non-audit services

We confirm below our proposed fees for the audit, subject to PSAA approval.

Audit fees	**Proposed fee**
Scale fee 2022/23	45,876
Additional work on Value for Money (VfM) under new NAO Code	9,000
Increased audit requirements of revised ISAs 540 / 240 / 700	2,100
Enhanced audit procedures on journals testing (not included in scale fee)	3,000
Additional testing in relation to payroll – change in circumstances	500
Additional testing in relation to collection fund reliefs	750
Increased audit requirements of revised ISA 315	3,000
Inefficiencies due to changes in the finance team*	£7,250
Increased audit work in relation to revaluations due to insufficient evidence and errors identified*	£10,500
Increased audit work in relation to the net pension asset and subsequent adjustment to the financial statements*	£7,500
Total audit fees (excluding VAT)	**£89,476**

*These amounts have not been included within the financial statements as the work arose during the course of the audit and therefore after the point that the accounts were prepared.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee
Audit Related Services	
Housing Benefit subsidy certification 2021/22	16,000
Certification of Pooling of Housing Capital Receipts 2021/22	6,000
Housing Benefit subsidy certification 2022/23	18,800
Certification of Pooling of Housing Capital Receipts 2022/23	7,500
Total non-audit fees (excluding VAT)	**£48,300**

Only the 2022/23 fees in the table above are included within the 2022/23 financial statements. The fees therefore reconcile to the financial statements.

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

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) ‘Identifying and Assessing the Risks of Material Misstatement’
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) ‘Quality Management for an Audit of Financial Statements’
ISA (UK) 240 (Revised May 2021) ‘The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the ‘engagement team’ to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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