Audit Findings (ISA 260) Report for Sandwell Metropolitan Borough Council

Year ended 31 March 2025

6 February 2026

Sandwell Council
The Council House
Oldbury
West midlands

6 February 2026

Grant Thornton UK LLP
Floor 17
113 Colmore Row
Birmingham

www.grantthornton.co.uk

Dear Members of the Audit Committee

Audit Findings for Sandwell Council for the year ending 31 March 2025

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

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2024-.pdf (grantthornton.co.uk).

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

Andrew Smith

Partner
For Grant Thornton UK LLP

Contents

Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Sandwell Council (the 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2026 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 group and Authority's financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

As at the date of this report, we have completed all areas of the audit except the work on the group accounts. While it is disappointing that this element is still outstanding, the finance team has provided strong support throughout the audit and has responded promptly to our queries. As a result, the audit is significantly more advanced by the statutory deadline than in previous years. This puts the Council in a stronger position for the 2025/26 accounts closedown.

Our findings to date are summarised on pages 7 to 12. We have identified eight adjustments to the financial statements, which result in a £3m change to the Council's Comprehensive Income and Expenditure Statement. Details of these adjustments are set out on page 54. During our work, we also raised recommendations for management, which are included on page 64

Because previous years' audits received backstop-related disclaimed opinions, we have been unable to obtain enough evidence to support an unmodified audit opinion before the backstop date of 27 February 2026. Without assurance over the opening balances, we cannot form an opinion on the financial statements. This limitation, together with the outstanding work on group accounts noted above, means the audit opinion for the 2024/25 accounts will again be disclaimed.

We still need to complete the following areas:

- Receipt and review of the final version of the accounts to check audit adjustments have been processed correctly.
- Receipt and review of the signed letter of representation.
- Review of management's judgement on the accounting treatment of Haden Hill leisure centre
- Confirmation of the accounting for Phoenix Collegiate.

(continued overleaf)

Headlines

- review of the proposed accounts amendment for the market hall
- review of the paper to support the Council's useful life assumptions used for depreciating infrastructure assets.

Our draft Audit Report is provided on page 86. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority 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 Authority's overall arrangements, as well as key recommendations on any es in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources except that in our interim VFM report, which was presented to the November Audit and Governance Committee, we identified a significant weakness in the Authority's arrangements for timely preparation of the accounts. Our findings are summarised in the value for money arrangements section of this report page 73.

Headlines

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 have completed most of the work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation is received from the NAO that the group audit (Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code;

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We completed most of our work on income, expenditure, and closing balances. However, we did not receive the draft accounts until mid-August. This was after the statutory publication deadline of 30 June and six weeks later than the date management had agreed for us to start the audit. The delay needs to be viewed in the context of the new ledger implementation, which placed significant pressure on the finance team. Taking this into account, the Council has still shown progress compared with previous years. Even so, the Council must publish future accounts by the statutory deadline; otherwise, it will not be possible to complete the audit before the statutory backstop date.

The late publication of the accounts meant the audit started later than planned. As a result, key areas—such as the valuation of Property, Plant and Equipment, which has historically been challenging—were considered later in the process.

Due to the time pressures, the accounts did not undergo the expected level of internal quality review. This is reflected in the number of audit issues and amendments identified, which are detailed in the appendices.

In addition, the ledger implementation limited management's ability to support our planning and interim work in spring 2025. Effective interim work—where we test transactions up to month nine—is essential for getting the audit timetable back on track. Our aim is to complete the audit of the 2025/26 accounts by the end of November 2026 so that the Council is well positioned to meet the statutory 30 November backstop date in 2027.

Headlines

Group audit

Management provided a draft paper in late December which set out the case for not preparing group accounts. It was argued that the Trust's liabilities would reduce in future due to its deficit-reduction plans. We did not consider this future intention to be relevant to the group accounting judgement. The Children's Trust had a cumulative £19m overspend in its reserves at 31 March 2025. This meant the CT accounts did include material balances, and we did not agree with management's conclusion that group accounts were not required on the basis of materiality.

It is anticipated that the revised accounts will contain group accounts which reflect The Children's Trust's audited accounts. We have insufficient time to complete our work in this area before the statutory backstop.

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines

National context – local audit recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop legislation.

As a result, for 2024/25:

- we have limited assurance over the opening balances for 2024/25; and
- limited assurance over the closing reserves balance also due to the uncertainty over their opening amount.

Our aim for the 2024/25 audit has been to continue with rebuilding assurance, therefore our focus has been on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances.

On 5 June 2025, the National Audit Office (NAO) published its "Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06" for auditors which sets out special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. The key messages outlined within this guidance include rebuilding assurance through:

- tailored risk assessment procedures for individual audit entities, including assessments over risk of material misstatements of opening balance figures and reserves;
- designing and performing specific substantive procedures, such as proof-in-total approach;
- special considerations for fraudulent reporting, property, plant & equipment, and pension related balances.

We will discuss with you our strategy for rebuilding assurance, in the light of this year's audit, as part of our planning for 2025/26.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government 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.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

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 the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

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

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

When the draft accounts were initially prepared, the PFI models—which drive the lease liability calculations—had not been fully updated to reflect the requirements of IFRS 16. The revised draft accounts incorporated these updates, and the resulting amendments have been included within the schedule of unadjusted misstatements.

The initial impact was an £8.724m increase in the opening balance of non-current assets (right-of-use (ROU) assets). A further £3m adjustment was subsequently made in relation to peppercorn leases. In addition, PFI lease liabilities increased by £17m, raising the opening balance from £57.4m to £74.5m.

Our work has focused on how management has ensured the completeness of ROU assets and the associated lease liabilities. In particular, we have focused our review on the IFRS 16 lease liabilities arising from the PFI arrangements. Given the breadth and complexity of the Council's operations, ensuring the completeness of lease liabilities is a significant and challenging exercise. We provided support to management during June and July on the types of considerations required when undertaking this assessment.

Management provided a paper in November outlining their approach to IFRS 16 implementation. We subsequently raised several queries on the content of the paper, which have now been responded to.

Headlines

Implementation of IFRS 16 (cont..)

We identified a control weakness in how the Council identifies leases and ensures the lease register is complete. The Council carried out work to identify leases as part of the 2024/25 implementation. However, it has not fully demonstrated that the business rates property listings used in this process were checked to confirm that all relevant leases were captured.

In our view, this is unlikely to have resulted in a material omission, but we recommend that management completes this work to support the 2025/26 accounts.

Group audit

Group audit

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.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
Sandwell MBC	Yes			Grant Thornton UK	Andrew J Smith		See detail in report
Sandwell Children's Trust	Yes			Grant Thornton UK	Jim McLarnon		The audit of the Children's Trust is complete and an unqualified opinion issued

See further details in the report – we have been unable to complete the group procedures.

Materiality

Our approach to materiality

As communicated in our Audit Plan Issued in April 2025, we determined materiality at the planning stage as group £17.5m and Council £16.5m based on 1.7% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements but have not changed the materiality as assessed at planning. .

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £16.5m (p/y £12.5m) based on professional judgement in the context of our knowledge of the Authority
- We have used 1.7% of prior year gross expenditure as the basis for determining materiality.
- 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, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.

Performance materiality

- We have determined performance materiality at £9.9m, this is based on 60% of headline materiality.

Specific materiality

- We have set a lower materiality of £20k for senior officer remuneration.

Reporting threshold

- We will report to you all misstatements identified in excess of £0.825m, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Group (including the Children's Trust) £	Authority (£)	Qualitative factors considered
Materiality for the financial statements	17.5m	16.5m	This benchmark is determined as a percentage of the Council's gross revenue expenditure in the prior year (£955m) using 1.72% as a baseline. We revisited this planning materiality at final accounts and judged that it should not be changed.
Performance materiality	10.5m	9.9m	Performance Materiality is based on 60% of the overall materiality.
Specific materiality for senior officer remuneration	20k	20k	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosure.
Reporting threshold	0.875m	0.825m	Trivial has been set at 5% of headline materiality. All errors over this level are reported within this document.

Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages. The level of risk (signficant and/ or fraud) are initially assessed at planning and do not specifically reflect the outcome of the audit.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level (as per plan)	Change in risk since Audit Plan	Fraud risk (as per plan)	Level of judgement or estimation uncertainty	outcome
Risk 1: Management override of controls	Significant	↔	✓	Low	Recommendations made no material matters
Risk 2: Valuation of land and buildings (including Investment properties and council dwellings)	Significant	↔	×	Medium	Material adjustments, no outstanding matters recommendations made
Risk 3: Valuation of the net pension fund liability	Significant	↔	×	High	No material matters

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

Overview of audit risks (continued)

Risk title	Risk level (as per plan)	Change in risk since Audit Plan	Fraud risk (as per plan)	Level of judgement or estimation uncertainty	Outcome
Risk 4: Financial statements level risk: staff turnover in finance team	Other	↔	×	Medium	Continuing turnover, recommendations made
Risk 5: completeness, existence and accounting for cash and cash equivalents	Other	↑	✓	Medium	No material matters, recommendations made
Risk 6: senior officer remuneration	Other	↔	×	Low	No material matters
Risk 7: completeness of non- pay operating expenses and payables	Other	↑	✓	Medium	No material matters recommendations made
Risk 8: implementation of IFRS16	Other	↓	×	Medium	No material matters
Risk 9: Implementation of new financial system	Other	↔	×	Low	No material matters, recommendations made

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We, therefore, identified management override of control, in particular journals, management estimates, and transactions, outside the course of business as a significant risk	We have: • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • reviewed and tested transfers between the General Fund and HRA and intragroup journals.	**Journals** Our journal risk assessment identified an increased risk due to weaknesses found in our IT general controls testing. We noted that too many staff had enhanced system access rights, which increases the risk that inappropriate or unauthorised journals could be posted without detection. We also found that audit logs—an important control for monitoring system activity—were not enabled. The absence of audit logging is a significant control weakness. Because of these issues, we carried out extended journal testing and performed additional checks on the data and listings provided by management to support specific account balances. Our journal testing also identified a deficiency in the Oracle EBS system. During the first six months of the year, journals could be posted to the general ledger without any approval. We have confirmed that this weakness has been addressed in the new Oracle Fusion system, where journal approval is now required before posting.

Continued overleaf...

Significant risks

Risk identified	Key observations
Management override of controls (cont..)	Journals (continued) Our work also identified a weakness in the Oracle EBS system, which allowed unbalanced transactions to be posted to the general ledger. This issue affected the first six months of the year. We have confirmed that the new Oracle Fusion system has corrected this, and unbalanced postings are no longer permitted. We also identified several further deficiencies in Oracle Fusion. These are explained in more detail on page 36 of this report. No significant matters arose from our detailed journal testing. Accounting policies and disclosures Note 4: Critical Judgements in Applying Accounting Policies - The current disclosures do not clearly explain the judgements made, the reasons for those judgements, or their impact. We also highlighted that some items listed as “critical judgements” do not meet that definition. Note 5: Assumptions About the Future and Other Major Sources of Estimation Uncertainty - The disclosure currently mixes general estimates with areas of significant estimation uncertainty—those where there is a meaningful risk of material change in the next financial year. The Council should review this note to determine whether material estimation uncertainty exists. Where it does, the disclosure should identify: • the carrying values affected, • the assumptions that create the uncertainty, and • the sensitivity of the balances to changes in those assumptions. Collection Fund Statement The Collection Fund Statement is currently included within the Accounting Policies section, which is misleading. It should be presented as a core financial statement, with its accounting policies provided as accompanying notes.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in revenue recognition Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, 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 Sandwell Metropolitan Borough Council, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for Sandwell Metropolitan Borough Council.	Notwithstanding that we have rebutted this risk, we have undertaken a significant level of work on the Council and Group'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 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. • We will have also designed tests to address the risk that income has been understated, by not being recognised in the current financial year.	No matters arising from our review of accounting policies **Fees and charges income** We identified some errors in our fees and charges testing and extended our initial sample to be able to gain sufficient assurance over the balance. We identified one instance in our testing where we consider that the Council had incorrectly recognised £5m from the sale of school land within fees and charges. This related to a foundation school, for which the remainder of the school assets are reflected on the Council's balance sheet. Although the deeds showed that legal title rested with the governors, the substance-over-form assessment indicates that the Council has control of the asset. In our judgement the Council should have recognised both the land and the subsequent sale as a capital receipt, subject to the usual capital accounting restrictions. We understand management is proposing to adjust the accounts to reflect the receipt as a capital receipt, however we have yet to receive confirmation of the proposed accounting treatment

Continued overleaf...

Significant risks

Risk identified	Key observations (cont..)
Presumed risk of fraud in revenue recognition (cont..)	**Accounts receivable – control account reconciliation** The Council does not complete monthly control account reconciliations for accounts receivable. At the year end, a reconciliation was undertaken, and whilst the unexplained reconciling item was trivial; this is a control that should be undertaken more regularly. **Mapping issues** The introduction of the new financial ledger required significant manual work to ensure income and expenditure were posted to the correct codes and, in turn, to the correct service lines in the CIES. Management has also acknowledged long-standing weaknesses in the approach to accounting for recharges (see the deficiencies section of the AFR). These issues were reflected in several errors identified in our sample testing: • High Needs Block: Two related sample errors resulted in a £14,819k overstatement of both income and expenditure. These amounts should have been netted off. • Design team fees: Income and expenditure were overstated by £1.2m due to incorrect accounting for design team salary costs relating to capital projects. • Schools catering expenditure: £5,317k understatement of both fees and charges income and other expenditure, caused by expenditure being incorrectly debited to income. Management need to address the accounts mapping issues in time for the 2025/26 financial year to avoid the significant manual work and also reduce the risk of errors. **Grant income and disclosure** We identified several issues relating to the accounting treatment of grants, some of which are included within our misstatements. These include errors in the classification and coding of DSG grant income. We also identified a control weakness during our grant income testing. In several cases, management could not provide documentation setting out the grant conditions, which is necessary to determine the correct accounting treatment. As a result, alternative procedures were required, including contacting grant providers directly to confirm conditions. We are therefore raising a control deficiency. The Council should retain all grant documentation to ensure grants are classified and accounted for correctly.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in expenditure recognition Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. We have rebutted this risk for Sandwell Metropolitan Borough Council because: • expenditure is primarily related to employee costs • lack of incentive to manipulate financial results, coupled with an overall strong control environment. We therefore do not consider this to be a significant risk for Sandwell Metropolitan Borough Council.	Notwithstanding that we have rebutted this risk, we still undertook a significant level of work on the Council's expenditure streams, as they are material. We carried out the following audit procedures: • updated our understanding of the Council's business processes associated with accounting for expenditure • performed testing over post year end transactions to assess completeness of expenditure recognition. • tested a sample of operating expenses to gain assurance in respect of the accuracy and occurrence of expenditure recorded during the financial year. Continued overleaf…	We tested a sample of items of operating expenditure. This included payroll, welfare expenditure and other expenditure **Payroll:** The Expenditure by Nature note shows a substantial year-on-year increase in Employee Benefits expenditure. While we performed sufficient procedures over the 2024/25 payroll balance, however the prior-year comparator appears to be misstated. Management indicated that the variance may relate to inappropriate recharges applied in the prior year; however, they were unable to clearly explain or evidence the underlying cause. **Welfare expenditure:** No matters arising from our review of welfare expenditure. **Other expenditure:** **Mapping:** see reference to the matters raised in revenue **Adult social care:** for our sample we were able to agree to the control system details of the individual, period of stay and the value, providing us with some assurance over accuracy and occurrence of expenditure.

Significant risks

Risk identified	Key observations (cont.)
Presumed risk of fraud in expenditure recognition (cont.)	In 7 of the 13 cases tested, we were unable to agree to third-party confirmation. This indicates a record-keeping weakness, as there should be an audit trail to primary evidence—such as contracts—for all individuals. Management should ensure that all supporting records for care packages are complete and readily available. We also identified an error in the Controc accrual and projected this to a total understatement of £915,464 in the accrual and expenditure. **Goods received not invoiced (GRNI)** A key control in operating expenditure is the three-way match between a purchase order, a goods-received note, and an invoice. The draft accounts included £27 million of goods received not invoiced (GRNI), which formed the basis of the related accrual. Our review of the GRNI accrual process identified a control weakness involving incorrect use of system functionality and overridden procedures. Of the £27.223m GRNI balance, £9m related to items that should have been cancelled. These included provisional purchase orders, retrospective PO creation, and goods-received notes raised against cancelled or disputed orders. As a result, the GRNI accrual was inaccurate. We requested evidence to validate the GRNI balance. Following further review, management agreed that the balance was overstated due to control failures that allowed aged GRNI items to accumulate. Management proposed a £9m adjustment, which would have increased General Fund reserves. Our testing has confirmed only £0.673m of this proposed adjustment. Management has therefore decided not to amend the 2024/25 accounts. This leaves a potential £8.4m overstatement of liabilities in the 2024/25 financial statements. Of the remaining £18m GRNI balance, we tested a sample against subsequent invoices and identified a projected understatement of accruals of £0.9m. We are reporting a significant deficiency in internal controls. Weaknesses in the GRNI process allowed aged items to build up and created a risk that invoices could be paid without a valid purchase order or goods-received confirmation.

(Continued overleaf)

Significant risks

Risk identified	Audit procedures performed (cont.)	Key observations (cont.)
Presumed risk of fraud in expenditure recognition (cont.)		Note 11: Expenditure and Income Analysed by Nature Support service recharges of £12,620k are currently included within the expenditure analysis in Note 11. Management reanalysed these amounts and allocated them to the appropriate expenditure headings. They prepared a briefing paper and calculations proposing to reduce Employee Benefits by £531k and Other Services expenditure by £12,089k. However, the evidence provided to support this adjustment is not auditable. Management was unable to supply sufficient explanation or documentation to support or verify the calculations. As the proposed amendment is not material and affects only the disclosure note—not the primary statements—we are satisfied that no adjustment is required to the main financial statements.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings, The Authority revalue its land and buildings as a minimum on a rolling five-yearly basis with interim reviews. If the value of an asset class is projected to materially change during the period since the last valuation, then further valuations are instructed. 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. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of other land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We : • 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 • wrote to the valuer to confirm the basis on which the valuation is 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 • engaged our own valuer to assess the instructions to the Council's valuer, the Council valuer's report and the methodology and assumptions that underpin the valuation; • tested revaluations made during the year to see if they have been input correctly into the Authority's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.	The valuer is appropriately qualified and experienced to carry out the valuation work. However, our review identified the following issues: • The Council has worked with the same valuer for a long period. Management should assure themselves that this long-standing relationship does not create a risk of over-familiarity. • Management completed only a 10% reasonableness check on the valuations. Based on errors identified in our testing, we recommend that management perform a more comprehensive review of the valuations received. We also noted weaknesses in the underlying asset management system. It does not hold complete or accurate records of the Council's property portfolio, including verified floor areas. As a result, the valuer relied heavily on historic floor-area information that had been rolled forward. For several samples, we could not trace the floor areas used in the valuation back to the asset management system. Additional audit procedures were required—such as checking district valuer records—to confirm floor areas for two of the selected samples.

Significant risks

Risk identified (cont.)	Key observations
continued....	Management has confirmed that a full re-measurement of the Council's assets will take place as part of the implementation of the new asset management system. This is a significant piece of work that has been an objective for several years. Haden Hill Leisure Centre - The leisure centre closed for demolition in 2023/24, yet it is still carried on the balance sheet at £10.4m within Assets Under Construction (AuC). This is incorrect. The closure represents an impairment trigger, but no impairment review was undertaken. We therefore conclude that the AuC balance is overstated. We have included this as an adjusted misstatement in the appendix and are awaiting a paper from management setting out any proposed adjustment in response to our challenge. Sandwell Aquatic Centre - During our audit, we identified an issue with the build cost applied to the valuation. The valuer used the BCIS category for gymnasia, fitness centres, and swimming pools (reference 562.21), with a mean cost of £5,214/m². This differed from the prior year, when the valuer used the category for sports and recreation centres including swimming pools. Following discussions with the valuer and our valuation expert, it was agreed that—due to the specialised nature of the aquatic centre—the build cost should be based on the average of two BCIS codes: • Code 541.5 (diving pools) at £4,264/m², and • Code 562.11 (leisure centres with pools) at £2,981/m². The resulting average cost of £3,623/m² means the current-year valuation is overstated by £28,504,000. The prior-year valuation is also affected for the same reason. This results in a material adjustment to the 2024/25 accounts. Brandhall Golf Course - A revised valuation reflecting the approved development potential of the site (approved on 13 November 2024) had not been applied to the fixed asset register. This resulted in the asset being overstated by £2,222,400 in 2024/25 and £2,664,400 in 2023/24. The accounts will be updated to reflect the corrected values.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of Investment property The Council is required to revalue its investment property annually. 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 have therefore identified valuation of investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement.	See above as similar procedures are applied as for operational land and buildings valuation	We are satisfied that all investment properties were valued as at 31 March 2025. The valuer is appropriately qualified and experienced, and our detailed testing confirmed that the assumptions used were generally reasonable. However, we identified the following matters: • **Difference between FAR and valuer's report:** There was a £1.3m difference between the Fixed Asset Register and the valuer's report. This related to a late valuation. Management concluded that the difference was not significant enough to warrant restating the accounts. • **Investment Property – Assets Under Construction (AuC):** In the prior year, the £10m Kings Square retail development and the £5m New Wednesbury Health Centre were transferred from AuC to Investment Properties. Management has since confirmed that this was incorrect. Investment Properties under construction should be classified within the Investment Properties category, not PPE AuC. As a result, prior-year movement disclosures are misstated. No prior-period adjustment is proposed because the error is immaterial to the accounts. • **Capital expenditure not communicated to the valuer:** The valuer was not informed of capital spend relating to investment properties. This resulted in understated valuations, as noted above. Failure to provide the valuer with complete information represents a control weakness.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of council dwellings The Authority is required to revalue council dwellings annually. The Authority uses the “Beacon Approach” where representative properties are revalued, rather than each individual property. A social discount factor is then applied to reflect the fact that the properties cannot be sold on the open market. 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 therefore identified valuation of council dwellings, particularly revaluations and impairments, as significant risk.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • wrote to the valuer to confirm the basis on which the valuation is 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 • considered and evaluate the reasonableness of the Beacon properties, to which other properties were allocated, and the appropriateness of variances thereto • engaged our own valuer to assess the instructions to the Council’s valuer, the Council valuer’s report and the methodology and assumptions that underpin the valuation; • tested revaluations made during the year to see if they have been input correctly into the Authority's asset register	We concluded that the Council’s valuer is appropriately qualified to carry out the valuation work. However, the valuer has been engaged by the Council since 2012. Long-term appointments can create a familiarity risk. Management should ensure appropriate rotation of valuation responsibilities and maintain clear, documented instructions to support an effective and independent valuation process. We also challenged management on the Council’s impairment review process. Management provided evidence of insurance reviews, which they use to inform their assessment of impairment. We specifically queried whether an impairment review was required for Alfred Gunn House, given the significant cost overruns and contract management issues reported publicly and referenced in committee papers. Management prepared a paper concluding that, in their view, no impairment indicators were present. Although insurance reviews provide some insight, and the valuer offers general comments on impairment, the financial statements state that assets are assessed annually for indicators of impairment. The current assessment process is not sufficiently documented to demonstrate compliance with this requirement.

Significant risks

Risk identified	Key observations
Valuation of council dwellings (cont.)	We asked management whether the findings from stock condition surveys indicated any potential impairment. Surveys have been completed for only around 50% of the dwelling stock (approximately 13,500 properties), and this information was not considered when concluding that no impairment triggers existed. In addition, the survey results—and any other information about the condition of the housing stock—were not shared with the valuer. This creates a risk that the actual condition of properties may differ from the assumptions used in the valuations, which could affect the accuracy of the valuations reported in the accounts. We also identified a weakness in the council dwellings valuation process. Valuation documents are reviewed by the HRA Capital Accountant, but no formal challenge of the valuation takes place. This check-and-challenge process was carried out previously by a staff member who has since left the Council. The role has not been replaced, and the control is therefore not operating. **Derecognition of replaced components** The Code requires that when a component is replaced, the carrying amount of the old component must be derecognised, even if it was not separately depreciated. The Council has not reviewed in-year capital expenditure on component replacements to determine the value of components that should be removed. This may lead to misstatements in: • the Balance Sheet, affecting PPE, the Revaluation Reserve, and the Capital Adjustment Account • the PPE movements disclosure note

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability The Authority pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluated the instructions issued by management to their management expert (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 Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertook 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	We did not identify any signficant matters in relation to the general controls around the pension fund accounting. We were content with the qualifications and experience of the actuary and the adequacy of the information shared by the council with the pension fund and the actuary. We were satisfied with the estimation process adopted. In preparing the accounts management had considered the requirements of IFRIC 14. We were content with the adjustments made. We have reviewed the IAS19 assurances from the auditor of the West Midlands Pension Fund and no signficant matters were noted in that work, other than an understatement in the scheme assets of £11.2m (Sandwell's share 9% £1,008k) We identified several disclosure issues that have been reported to management. The accounts also reflect pension guarantees with external organisations. We have again raised concerns in the adequacy of these assessments.

Significant risks

Risk identified	Audit procedures performed (cont.)	Key observations
Valuation of net pension liability (cont.) 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. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's net pension liability as a significant risk	• Reviewed the IFRIC14 calculations to understand if there is any asset ceiling which may impact the overall net defined liability position • obtained assurances from the auditor of West Midlands 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. Evaluate any issues reported by the pension fund auditor.	

Other risks

Risk identified	Audit procedures performed	Key observations
Financial statements level risk: turnover of staff in the finance team	No specific procedures were performed, we reflected the perceived risk in our assessment of performance materiality,	The department continues to rely on several interim and temporary staff. Recruitment within the finance team is ongoing. Management should ensure that the team is fully staffed with appropriately qualified and permanent personnel who can produce the draft accounts and audit working papers by the statutory deadline and respond to the volume of audit requests within a four-month audit window.
Cash equivalents: completeness, existence and accounting for cash and cash equivalents.	We reviewed the year end bank reconciliations and tested reconciling to confirm clearance. We obtained year end confirmations of bank balances through direct confirmation from the council's bankers.	The year-end reconciliation of the cash income account was not completed until September, and no reconciliations have been prepared for 2025/26. This represents a deficiency in internal controls. In addition, the trial balance includes several accounts that contribute to a net reduction in cash and cash equivalents of £150,290 and a net increase in bank overdraft of £710,293. These balances do not represent actual cash movements. Instead, they relate to control accounts, suspense codes, and other non-cash items.

Other risks

Risk identified	Audit procedures performed (cont.)	Key observations
Cash equivalents: completeness, existence and accounting for cash and cash equivalents. (cont.)		We noted several reconciling items that are unusual for a bank reconciliation. The reconciliation was signed off before the differences were investigated and corrected. Items that do not appear to be genuine reconciling differences—and therefore misstate the cash balance—include: • Transactions in the bank but not in the ledger: £406,728.07 • Transactions in the ledger but not in the bank for more than 30 days: £209,171 • Miscellaneous items predating the new system: £15,778 • Other variances under investigation: £11,008.40 During our testing, we also identified a control weakness where a cheque was re-issued before the original cheque was cancelled. This creates a risk of duplicate payments and misstatement of cash balances. The trial balance includes two adjustments relating to the general payments bank account: • £9,599k for payments in transit • £7,109k for a BACS year-end timing adjustment These adjustments are not reflected in the year-end bank reconciliation.

Other risks

Risk identified	Audit procedures performed (cont.)	Key observations
Cash equivalents: completeness, existence and accounting for cash and cash equivalents. (cont.)		We recommend that the Council introduce a formal policy setting out the correct procedures for recording and managing cash transactions, including the timely cancellation of re-issued cheques. The Council should also complete a full review and reconciliation of all ledger codes mapped to cash, cash equivalents, and bank overdraft balances in the trial balance. Non-cash items—such as suspense accounts, control accounts, and other error-clearing or accounting-mechanism codes—should be removed from the cash and bank mapping and allocated to the appropriate balance sheet or revenue accounts. The bank reconciliation should include all relevant general ledger entries to ensure completeness and to allow for proper review and approval.
Senior officer remuneration	We have agreed the disclosures to underlying records such as payslips and evidence of redundancy payments where applicable	No significant concerns were identified from our work testing the completeness, accuracy and presentation of senior officer remuneration disclosures. We identified a small number of disclosures issues which management have agreed to address, such as the disclosures relating to staff earning over £150k.

Other risks (cont.)

Risk identified	Audit procedures performed	Key observations
Completeness of non-pay operating expenditure	We tested a sample of invoices received and payments made (per bank statements) for a sample of items. We undertook testing of creditors and year end accruals.	Other than the matters raised in the other expenditure section page 25 , no further issues relating to the completeness of non-pay operating expenditure were identified.
IFRS 16 implementation (leases)	First year implementation of the new standard presents risk that the council does not identify all right of use assets and associated liabilities. The existence of PFI arrangements presents further challenges in the implementation. As the liabilities and assets were not material, our focus has been on the completeness of the disclosures.	See page 12 for our commentary on the Council's implementation of IFRS 16 (leases). We raised a recommendation for address a weakness in the Council's arrangements to identify lease arrangements.
Implementation of the new financial system	Discussions with management and review by our IT team of general control. As part of our testing, we checked the coding of sample items to be assured that the item descriptions were appropriate to the areas of the accounts where they had been posted.	The new financial system went live in October 2024, part way through the financial year. The implementation was successful, but the finance team subsequently faced significant challenges in mapping codes to the new ledger. After go-live, several issues emerged that affected the Council's ability to publish the draft accounts on time and to complete key controls, such as the bank reconciliation, promptly. These issues must be resolved as soon as possible to avoid affecting future audits.

Other findings

Other areas impacting the audit

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

Issue	Commentary	
IT general controls: Oracle Fusion	We undertook procedures to understand the IT general controls within the new Oracle Cloud system. We have an understanding of the previous system (which operated until October 2024 from previous years reviews) We identified several deficiencies in IT general; controls: • Inadequate control over privileged accounts within Oracle Cloud (signficant deficiency) • Inadequate control over self-assigned roles in Oracle Cloud (signficant deficiency) • Lack of controls over granting user access within Oracle Cloud • Lack of Audit Logging within Oracle Cloud • Timeliness of revocation of user access • IT general controls: Lack of formal evidence for change management procedure • Lack of formal evidence for change management procedure • Users with financial responsibilities have been granted administrative access to Oracle EBS. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.	We issued a separate report to management providing the detail behind these control weakness and made recommendation for improvement and the report contains management responses to these recommendations.

Other areas impacting the audit

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

Issue	Commentary	
Group accounts	The Children Trust's draft accounts were made available in early September. The Council's draft accounts issued in August included group accounts. However, the group accounts were prepared using estimated financial information from the Children's Trust. Management subsequently formed the view that group accounts were not required on the basis of materiality of the Children's Trust accounts. We requested management prepare a paper setting out the rationale for not preparing group accounts and we agreed we would focus audit effort on other areas of the accounts, in the expectation that group accounts would not be required. On review of the paper, we disagreed with management assertion on materiality because the children Trust accounts reflect a £19m accumulated deficit in reserves, which we consider to be material to the Sandwell council accounts. The Council is now to produce draft group accounts reflecting consolidation of the audited Children's Trust accounts figures. The paper presented, suggests that in 2025/26 the liability will transfer to Sandwell Council, thus negating the need for group accounts to be prepared. We have not expressed a view on this element of the paper.	Due to the late availability of management's paper on group accounts, we were unable to consider and form a view on management proposal until very late in the audit process. This has not provided sufficient time for us to undertake the required procedures on the group accounts. This is the primary reason why we were unable to complete the accounts by the backstop.

Other areas impacting the audit

Issue	Commentary	Auditor view
Financial instruments: Long-term investment Single Purpose Vehicle (SPV).	For the Council's long-term investment SPV, we noted that the SPV does not receive a specific valuation and is held at cost, however per CIPFA Code long-term investments in SPVs must be valued at fair value unless cost is the only reliable measure.	Whilst we do not consider this to be a material matter, management should obtain a formal valuation of the SPV investment performed by a suitably qualified professional to comply with the requirements of IFRS 9 applied under the CIPFA Code.
Capital commitments (HRA) We note the Authority has extended its debt / taken on new short-term loans / provided financing to other local authorities.	We concluded that the absence of identifiable capital contracts for significant components of the HRA capital programme leads the capital commitments disclosure to be incomplete or understated.	Whilst this only relates to an immaterial disclosure matter, the Council should implement a structured process to ensure all activities within the capital programme are supported by identifiable contracts, including works currently delivered through responsive revenue contracts, ensuring that capital-qualifying works are clearly identifiable. In addition, the Council should develop and maintain a centralised register of capital contracts across the entire capital programme to support the accurate calculation and disclosure of capital commitments at the year-end.
Recharges to the HRA The HRA is a ringfenced accounts and any charges to the HRA should only be for purposes management of the housing stock.	As part of our expenditure sample testing, we checked the posting of expenditure to the general fund or HRA is reasonable. No matters came from that testing. We also considered a sample of items charged to Supervision and Management (S&M) in the HRA and the interest charged. Following testing, we concluded that the apportionment basis of the interest charges is reasonable. For two S&M samples, we struggled to get evidence to support the apportionment basis for street lighting recharges and homelessness recharges. These are typically general fund functions so we wanted to be satisfied that the amount borne by the HRA was reasonable.	Overall, we judged that the charges to the HRA were reasonable. However, we did note some examples where costs are recharged to the HRA without clear evidence to support the apportionment basis. For example, 70% of staff time in the Homelessness team is recharged to the HRA without a clear basis. Management should ensure that there is a clear basis for charges of staff costs in particular to the HRA where a proportion of the costs is borne by the HRA. Ideally any charges should be underpinned by timesheets.

Other areas impacting the audit

Issue	Commentary	Auditor view
Pension guarantees: council is effectively the guarantor for a number of pension scheme, primarily where staff have transferred from the council to new organisations historically.	Our review of the Council's assessment of pension guarantees has identified some weaknesses that will need to be addressed going forward. The assessment does not clearly set out the nature of the guarantee issued for each body i.e. what exactly are the Council guaranteeing and what would trigger a payment. The Council's assessment is that the guarantees issued meet the definition of an insurance contract within the scope of IFRS 4, as opposed to a derivative financial liability under IFRS 9, however the Council should document this judgement in more detail with reference to the standards, and based on the nature of the arrangements between the parties involved. There is no 'one size fits all' solution and it all depends on the exact terms of the contractual arrangement and the risks involved. We need the Council to demonstrate how their judgement links to the terms of the contractual agreements and the risks attached to the LGPS deficit, in order to determine the appropriate accounting treatment. The judgement on the balance of risk between financial and non-financial risk will need to be supported by sound reasoning.	At present, we do not consider the misstatement arising from this control weakness to be material, as the majority of the schemes are held in a net asset position. However, this issue should be addressed going forward. The Council should enhance its documentation to more clearly demonstrate how it complies with the relevant accounting standards.
Provision for bad debts: HRA rents – non collection	Management has been unable to adequately track or report current tenant arrears. A provision rate of 10% has been applied to all current tenant debt; however, this assumption cannot be considered reasonable as no supporting evidence has been provided. Collection rates for current tenants were not available, and arrears from three years ago are assumed to be recovered at the same rate as recent debts, without supporting data.	We performed a sensitivity analysis to assess potential impact. While a 50% provision is highly unlikely, applying this rate would increase the provision by £2.1m. Therefore, the potential impact does not give rise to a material misstatement.

Other areas impacting the audit

Issue	Commentary	
Trade Receivables Bad Debt Provision	Debts over 5 years old are 100% provided for and we deem this to be a reasonable approach. However, management have been unable to provide sufficient supporting evidence for the percentages applied to the remaining aged debt categories.	The percentages used are consistent with those applied by other councils and therefore appear reasonable. We also considered the worst-case scenario in which the Council makes no further recovery of overdue debt. In that case, the maximum error would be £8.3 million, which we do not consider to be material.
Council Tax Bad Debt Provision:	We noted that management applied a 4.5% provision for debts over four years old for the next 10 years on a reducing balance method to calculate the debt balance once it reaches 10 years. The remainder of the debt is provided at 100%; however, the basis for this percentage (4.5%) is unclear, and our debtors testing did not indicate active recovery efforts for balances that fall into this category. While we do not conclude that the provision is materially misstated, we remain sceptical of the assumption applied. It is noted that council tax debt over 4 years is £15.7m with a provision of £9.9m	To address this, we performed a sensitivity analysis, which shows that if management had applied a 100% provision to debts over four years old, the provision would increase by £5.8m. This amount is not material to the financial statements
Aged debt	Our work performed on the debtors testing has identified outstanding debt from the financial years 2015/16 and 2021/22 that the Council is not actively pursuing. No payments have been received to date, indicating that these balances are likely irrecoverable and should be considered for write-off.	It is recommended that the Council implement a process for regular review of aged debt and ensure appropriate write-off procedures are undertaken in a timely manner. This needs to be implemented to ensure compliance with the accounting policy for appropriate write off procedures.

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee and 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 undertook company house searches and identified some companies where there was a name match with current councillors indicating an undeclared interest. Checks were made on transactions with those companies and where there were transactions, it was judged that these are likely to be immaterial to both organisations. It is important that the council undertakes its own companies house checks for related parties and to remind members of the need to declare all interests.
Matters in relation to laws and regulations	We are not aware of any significant incidences of non-compliance with laws and regulations
Written representations	We draw your attention to the draft Letter of Representation which is appended. No specific representations have been requested.

Other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. As noted in section, most were returned with positive confirmation, and we undertook alternative procedures for the one where confirmation was not received. We requested management to obtain confirmation from third parties where they were proposing to write out accruals based on goods received but not invoiced. Some were returned however this exercise was not complete.
Disclosures	There were several disclosure issues within the accounts, many of these were minor such as typos and are not included in this report. Page 57 onwards includes the more signficant matters.
Audit evidence and explanations	All information and explanations requested from management was provided, although we are still waiting management papers on: • Haden Hill accounting • Phoenix land sale accounting • Paper to support accounting for infrastructure assets • Management's proposed amendments for the market hall • Revised version of the accounts in order to agree the amendments In some areas where we have requested management more formally set out their judgement, this has taken some considerable time to provide and/ or when provided has lacked the necessary detail. Accounting papers requested include the 2 matters above IFRS16 completeness approach, approach to GRNI and we also requested a response to valuation queries to inform our PPE testing strategy. Management should ensure that where requested accounting papers should include appropriate content to support the bass of management judgements and should be prepared in a timely manner.
Significant difficulties	The accounts were received after the statutory deadline of 30 June 2025. Draft accounts were published on the Council's website on 29 August 2025. Although group accounts were prepared using estimated figures from the Children's Trust, management asserted that group accounts were not required on materiality grounds. We requested a supporting paper and agreed to focus our work on other areas of the accounts on the basis that management would demonstrate that group accounts were unnecessary. When the paper was provided, it did not give the assurance needed to support management's position. By that stage, there was insufficient time to complete the procedures required for group accounts. (continued)

Other communication requirements

Issue	Commentary
Other matters (continued)	The accounts included a £27m accrual for goods received not invoiced. Our work found that the procedures used by the Council to calculate this accrual are not robust. Management also raised concerns about the current approach to recharges and provided a paper outlining these issues. This is not a new matter. Audit has flagged the volume and nature of recharges in previous years, and management has previously acknowledged the weaknesses and expressed an intention to reset the process. The main concerns are that the level of recharges is too high, includes transactions that are not appropriate, and creates unnecessary complexity. Although internal recharges should be removed from the accounts—and therefore are not directly an audit matter—their removal can delay the production of the accounts and create errors when they are not correctly excluded.

Other responsibilities

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 2024). 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 Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. (continued)

Other responsibilities

Issue	Commentary
Going concern	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 Authority 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 Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. However, as this year's audit will be disclaimed, we have not been able to obtain 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.

Other responsibilities

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. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.
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 . We have reported a signficant weakness in relation to the Council's arrangements for accounts production as part of our value for money reporting.

Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. However, as the Authority does not exceed the NAO's threshold, only limited procedures are required.
Certification of the closure of the audit	We cannot formally conclude the audit and issue an audit certificate for Sandwell Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Audit adjustments

Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Dr Investment Property Cr Financing and Investment Income & Exp **Discrepancy between valuer report and FAR for Inv Property**	(1,271)	1,271		
Cr Property Plant and Equipment Dr Revaluation reserve **West Bromwich Town Hall valuation error**		(473) 473	-	
Dr RoU Assets Cr PFI liability Cr CIES Revaluation reserve **Adjustment for non commercial leases and PFI**	(3,661)	3,661 (17,097) 17,097	-	
Overall impact c/f	(4,932)	4,932	(4932)	-

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Overall impact b/f	(4,932)	4,932	4,932	-
Cr Property, Plant and Equipment Dr Revaluation reserve **Brandhall Golf course valuation - overstated valuation**		(2,222) 2,222	-	-
Cr Property, Plant and Equipment Dr Revaluation reserve **Sandwell Aquatic Centre - overstated valuation**		(28,504) 28,504	-	-
Cr Assets under construction Dr CIES - impairment charge **Overstatement of Haden Hill Leisure centre**	8,131	(8,131)		
Dr investment props Dr auc Cr CIES **Kings square/ market hall**	(2716)	1022 1694		
Cr CIES - Other expenditure Dr CIES - Income **Adjustment for academy income & expenditure**	(18,484) 18,484		-	-
Overall impact c/f	483	(483)	483	

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Overall impact b/f	483	(483)	483	0
Dr CIES - Income	1,214	-	-	-
Cr CIES - Other expenditure	(1,214)			
Incorrect treatment of design team fees capitalisation				
Dr CIES - Other expenditure	5,289	-		
Cr CIES - Income	(5,289)			
Incorrect mapping of Schools catering exp				
Dr CIES		(1424)	1,424	
Cr infrastructure	1,424			
Highways infrastructure depreciation changed life in year: add narrative (TBC)				
PPE		(1,133		
CIES		(21)	1,112	
Oracle fusion: Intangible assets TBC	1,112			
Overall impact	3,019	(3,019)	3,019	0

Audit adjustments

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	Misclassification or change identified	Adjusted?
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓
Narrative report	We have made several suggestions for improvement to the narrative report. The original version submitted for audit has been replaced.	✓
CIES: Derecognition of Academies	Within the CIES there is a charge of £17m relating to derecognition of Academies. Additional narrative detail should be added describing which schools, when the transfer took place along with the accounting treatment.	✓
Group MIRS	There is a discrepancy between the Total Comprehensive Income and Expenditure reported in the Group CIES £132,239k, and the amount reported in the Group MIRS on the Total Comprehensive Income and Expenditure line £214,941k. We note that the group accounts are to be further updated with the out-turn Trust accounts and this may resolve the matter.	✓
Note 4. Critical Judgements in Applying Accounting Policies	The current disclosures do not sufficiently describe the judgement, what the rationale is and what impact this has.	✓
Note 5. Assumptions made about the Future and Other Major Sources of Est Uncertainty	The draft disclosure confuses significant estimates and estimation uncertainty – i.e. those where there is a significant risk of resulting in a material adjustment to the carrying amount in the next year. For those included, the disclosure should state the carrying value of the balances affected, what the uncertain assumptions are that give rise to the uncertainty, and the sensitivity of the balance to changes in those assumptions. We have highlighted to management specific omissions across a range of areas of the accounts.	✓
Note 6 Material Items of Income and Expense	There has been a derecognition of schools on conversion to academies amounting to £17,106k during 24/25 should be reported in this note.	✓

Continued overleaf

Audit adjustments (continued)

Disclosure	Misclassification or change identified (cont.)	Adjusted?
Accounting policies	Collection Fund Statement: is presented under Accounting Policies, which is misleading. The Collection Fund Statement should be clearly presented as a Core Statement, with the related accounting policies disclosed as notes to the Collection Fund Statement Accounting Policy xv. Asset Disposals: The accounting policy incorrectly states that a portion of receipts relating to housing disposals are payable to the government. Note xvi. Component Accounting: the disclosure is misleading as there has been no formal review on year. Minimum Revenue Provision: The policy does not reflect the MRP policy approved by Council for 24-25. Treasury Pooling arrangement: The arrangement should be disclosed in the notes to the accounts, including: • The nature and purpose of the pooling arrangement • The total amount of funds held on behalf of other bodies • The accounting policy adopted Leases: factual inaccuracy in statement on academy leases and right-of-use assets are measured at "current value" in line with Code 4.2.2.52	✓ ✓
Note 11 Expenditure and Income analysed by nature	Service recharges of (£12,620k) are reported within the breakdown of expenditure in draft accounts. The accounts should not include any recharges, and it is asserted that these are actual costs. These have been reanalysed in the revised accounts, however, there is no clarity over the basis of this restatement. Because the adjustment is not material and only impacts on the Income and Exp by Nature disclosure note we are reporting the uncertainty around this disclosure.	✓
Note 12 Adjustment between accounting and funding basis	£66,275k transfer f to Cap Grants unapplied has an opposite entry to the CAA instead of General fund. £73,657k application of grants to finance cap exp from the CGUA is not consistent with the amount reported in the CAA £13,610k. Continued overleaf	✓

Audit adjustments (cont.)

Disclosure	Misclassification or change identified (cont.)	Adjusted?
Note 24 Financial Instruments	The short-term debtors only reports the trade receivables as financial instruments and excludes the HRA debtors reported in note 25. HRA debtors are typically contractual (e.g. rent arrears) and therefore meet the definition of financial instruments under IFRS 9. The FI disclosure should be amended to include the gross HRA arrears before deducting the bad debt allowance. For LT Investment SP Vehicle, we noted that the SPV does not receive a specific valuation and is held at cost, however per CIPFA Code long-term investments in SPVs must be valued at fair value unless cost is the only reliable measure, hence we raised a recommendation to council to obtain a formal valuation of the SPV investment performed by a suitably qualified professional to comply with the requirements of IFRS 9 applied under the CIPFA Code.	✓
Note 36. Pooled Budgets	the accounting treatment adopted based on the nature of the arrangements should be disclosed. The prior year comparative figures have been restated with no explanation provided. A footnote should be added explaining the restatement to aid the readers understanding	✓
Note 37 Officers Remuneration	This disclosure note includes agency staff who are not employees and do not meet the definition of an 'Officer'. The Council should add additional disclosure explaining this fact, and identifying the positions where individuals were employed through an agency to avoid misleading the reader of the accounts The accounts do not show names for Senior Officers Earning over £150,000. CIPFA Bulletin LAAP 85 from 2010 states that any employees earning over the £150k threshold should be identified by name. The disclosure omits two individuals earning over £150k who should be identified by name.	✓
Note 40 Dedicated Schools Grant and Note 44 Capital Commitments.	Comparative figures should be added Continued overleaf	✓

Audit adjustments (cont.)

Disclosure	Misclassification or change identified (cont.)	Adjusted?
Note 41: grant income	Other contributions and donations totals £57.643m and includes a single grant of £30.357m from the Black Country ICB. Given the materiality of this contribution should be a separate line within the note	✓
	DSG grant to be adjusted by £458K to tie the funding received with grant amount Unaccompanied Asylum Seeker Children grant amounting to £2,368 miscoded to SEN funding	
	Schools Basic Need Grant for 24-25 be updated to £1,219k instead of £5,287K	
	Schools Capital Maintenance Grant be updated to £5,287k instead of £1,219k currently in order to tie note 41 with amount of funding received .	
Note 42 - Related parties	Sandwell Futures LTD does not meet the requirements of a related party and so should not be disclosed in this note	✓
	Pooled budget arrangement with Black Country ICB should be disclosed	
Note 45 Leases	The table includes a column for Investment Property this should be deleted as it is not relevant.	✓
	Assets/liabilities newly recognised on transition is reported as £10,254k. The reduction due to the impact of sub leases has not been reflected in error £1,041k	
	Operating leases - Extrapolation of the sample error results in an estimated understatement of £901k in the disclosed future lease payments due to the Council. The misstatement does not affect the primary statements.	
	One lease began after 31/03/2025, a footnote should be included to explain that £4m of future payments relates to a lease beginning after year end	
Note 46 PFI	Payments made to Serco during 24/25 are disclosed as £31,993k. This is not consistent with the PFI lifecycle accounting model which shows payments of £35,031k. Difference £3,038k.	tbc
Note 48 - Termination benefits	The total number of Exit packages by Cost Band for 24/25 casts to 36, compared to 34 reported in the disclosure note.	✓
	Continued overleaf	

Audit adjustments (cont.)

Disclosure	Misclassification or change identified (cont.)	Adjusted?
Note 49 Defined Benefit Schemes	Remeasurements of the net defined liability are disclosed and these total (£393,135k). This is inconsistent with remeasurements reported on the face of the CIES of £1,874k. The difference of £395,009k relating to the IFRIC14 adjustment should be reflected within Note 49 to ensure consistency. The narrative makes reference to the deficit being made good by increased contributions - actuary has reported a net asset position. The analysis of scheme assets by asset category is not consistent with the sub headings used in the Actuary report. The Children's Trust the pension liability remains with the Council and is reflected on the balance sheet. The accounts do not currently include any disclosures informing the reader of this agreement and the impact on the accounting entries. Both the accounting policy and pension disclosure note should be amended to reflect this.	✓
Note 50. Contingent liabilities	The disclosure on equal pay seems to be indicating no provision or contingent liability and so not clear why it has been included. The Council should consider removing this disclosure as it may be confusing to the reader of the accounts.	✓

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Dr Pension liability	-	1,008	-	-
Cr Pension reserve		(1,008)		
Understatement of scheme assets				
Cr CIES - Other expenditure	(896)		(896)	(896)
Prepayments		533		
Payables		363		
Other exp testing extrapolated error - exp overstated				
c/f	(896)	896	(896)	(896)

Audit adjustments

Impact of unadjusted misstatements cont

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
B/f	(896)	896	(896)	(896)
Dr CIES - Adult social care Cr Creditors **Project understatement of Controc accrual (extrapolation)**	915	(915)	915	915
Dr CIES - Expenditure Cr Creditors - accruals **GRNI testing - extrapolated error (extrapolation)**	958	(958)	958	958
Cr CIES - Expenditure Dr Creditors - accruals **Audit uncertainty over level of GRNI accruals: accruals overstated (management is continuing to reduce this)**	(8,564)	8,564	(8,564)	(8564)
Dr fees and charges income Ct funds held on trust (creditors) **Incorrect accounting for schools income (school balances)**	5,250	(5,250)	5,250	5,250
Overall impact of current year unadjusted misstatements (increase in GF)	(2,337)	2,337	(2,337)	(2,227)

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● high	**Cash and Bank:** The cash income account year end reconciliation was not prepared until September and no 20525/26 reconciliations had been completed. This is a significant deficiency in internal controls. We are aware that management is looking to get these up to date.	1. Management should undertake monthly bank reconciliations in a timely manner (i.e. within 4 weeks of month end) 2. Management should implement a formal policy outlining the correct procedures for recording and managing cash transactions, including the timely cancellation of re-issued cheques. 3. Management should undertake a review and reconciliation of all ledger codes mapped to cash, cash equivalents, and bank overdraft balances in the trial balance. Non-cash items, such as suspense accounts, control accounts, and other error-clearing or accounting-mechanism codes should be removed from the cash and bank mapping and reallocated to the correct balance sheet or revenue accounts 4. We noted that there were some ledger codes that were outside of the reconciliation such as payments in transit. Ideally there should be one ledger code for each bank account and the reconciling items should be clearly identified in he bank reconciliation between the ledger and the bank statement instead 5. Management should review their process to reflect the revised IFRS9 electronic payments effective 26/27 **Management response** • The Council has sought specialist support during 2025/26 to try to improve the speed of the bank reconciliation process. • All bank reconciliations include all relevant ledger entries, thereby ensuring completeness. • All codes are under review during 2025/26 to further ensure completeness. • Each reconciliation is subject to review and approval. • The process will be reviewed further to reflect IFRS9 in advance of 2026/27.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

Action plan (cont.)

Assessment	Issue and risk	Recommendations
● high	**Goods received not invoiced:** A key control within operating expenditure is the three-way match of a purchase order, goods received confirmation, and an invoice. The draft accounts included £27 million of goods received not invoiced (GRNI), forming the basis of the related accrual. We are reporting a significant deficiency in internal controls, as weaknesses in GRNI processes that allowed aged items to accumulate and created a risk that invoices may be paid without a valid PO or goods received confirmation.	1) Management should ensure that the key controls in the payment process are operating and are adhered to at all times. 2) Management should implement a plan supported by the necessary training to address the issues identified by them that gave rise to excessive good received not invoiced balances. **Management response** Following completion of the 2024/25 audit of the accounts, we are planning to carry out a data cleansing exercise to close a significant number of historic purchase orders in advance of 2025/26 year-end. We are also in the process of introducing 'SmartPay', which will require every payment to a supplier to be supported by a valid purchase order . No purchase order will result in no payment. As part of the SmartPay project plan, we will be providing further training to requisitioners.
● high	**Recharges:** CIPFA's Code of Practice and SeRCOP require support services to be allocated to front-line services to ensure full cost recovery, better benchmarking and comparison across authorities and accurate budget setting and monitoring. The ledger reflected C314m of recharges. Management review of recharges concluded that the current procedures at Sandwell are overly complex and many of the 'recharges' are in appropriate. This has been a longstanding matter at the council. The current approach is time consuming and creates the potential for error in the accounts, as referenced in this report	Management should undertake a formal and detailed review of the current practices and implement better processes for complying with the CIPFA requirements for the allocation of recharges. **Management response** Agreed - Internal recharges are currently being reviewed to ensure that recharges are carried out correctly and only carried out where necessary. This is a substantial piece of work covering many service areas, challenging the status quo and addressing poor practice.

Action plan (cont.)

Assessment	Issue and risk	Recommendations
● high	**Valuation of the council's property including Land and buildings, Investment property and Council housing stock.** Material adjustments were made to the valuation following the audit. There is scope for the council to strengthen some of the current procedures. Management also should be mindful of the new requirements as set out in the 2025/26 CIPFA Code of Practice.	Due to the long appointment period of the current valuers, management should ensure that there are sufficient rotation arrangements in place to avoid the risks associated with over familiarity. All variations form the standard instructions should be fully documented. **Management response** Based upon the "Public Sector Valuer Rotation Working Group" published by the RICS in May 2025, and in accordance with their recommendations set out that rotation arrangements are not considered mandatory, where the group reached a consensus that mandatory rotation is not necessary for the valuations of public sector investment properties when undertaken internally and/or by external contractor given that they are regarded as distinct from the valuation of investment property counterparts in the private sector in terms of both actual risk and public perception. However, in terms of best practice, a 7-year rotation (no less than) should be considered although this is countered whereby "the rigour and frequency of required procurement procedures in the public sector acts as a 'quasi-rotation' mechanism where the decision to use an internal team or an external provider is considered at regular intervals on predetermined criteria. **While this does not always result in a new firm being appointed, the procurement process itself imposes an extra layer of checks and balances".** Management should consider extending the checks above the current 10% of valuations. As a minimum these should include properties where there has been a substantial change in valuation. For council dwellings valuations, a formal check should be implemented and documented. **Management response** Agreed

Action plan (cont.)

Assessment	Issue and risk	Recommendations
● high	**Valuation of the council's property including Land and buildings, Investment property and Council housing stock.** Material adjustments were made to the valuation following the audit. There is scope for the council to strengthen some of the current procedures. Management also should be mindful of the new requirements as set out in the 2025/26 CIPFA Code of Practice. .	Management should formally notify the valuers of capital expenditure and condition surveys (particularly on the housing stock) to provide further assurance that the valuations are accurate. **Management Response** Agreed The asset management team should undertake a systematic review of the asset management records held by the council and obtain accurate floor measurements where these are not currently in place. **Management Response** As part of an ongoing yearly procurement exercise, a review of the council's assets is to be undertaken where tranches of the assets are to be measured independently to ensure that up to date data is being captured, floor plans provided and recorded accordingly. A 25% quality check will be undertaken to further ensure that those are carried out accurately and in line with the council's requirements. Management should liaise with the valuer to ensure that the valuers are not rolling forward potentially inaccurate floor area data. **Management response** Upon instruction the external valuer will be notified of any adaptations that result in changes to floor areas and be provided with revised floor measurements/plans.

Action plan (cont.)

Assessment	Issue and risk	Recommendations
● high	**Valuation of the council's property including Land and buildings, Investment property and Council housing stock.** Material adjustments were made to the valuation following the audit. There is scope for the council to strengthen some of the current procedures. Management also should be mindful of the new requirements as set out in the 2025/26 CIPFA Code of Practice. .	Management should extend the scope of its annual impairment review as part of the closedown. This should include, bit not be limited to, consideration of any schemes where there has been a project overrun or any interim findings of the housing stock condition survey and any other potential trigger events. The matters identified should be discussed with the council valuers. **Management response** Processes are currently being implemented to ensure trigger events are identified. As a priority management should consider the latest CIPFA Code (2025/26) and the implications for the approach to the valuation of its property assets in 2025/26 and beyond. Discussions on the matter should be held with the council valuers to ensure compliance with the new requirements. **Management response** Discussions have taken place with the internal and external valuers and processes are being reviewed.
● high	The department should by now have a substantive team, however we note that the recruitment process is still ongoing within the finance team..	Management should take steps to ensure that the finance team has in place a substantive team structure as a matter of some urgency. **Management response** A recruitment campaign was launched in December 2025, setting out to recruit 10 new permanent members of staff into the Finance team. Interviews are scheduled to take place over the coming weeks.

Action plan (cont.)

Assessment	Issue and risk	Recommendations
● high	**Group accounts:** Due to the late availability of management's paper on group accounts, we were unable to consider and form a view on management proposal until January 2026. This has not provided sufficient time for management to prepare group accounts and for audit to undertake the required procedures. This is the primary reason why we were unable to complete the accounts by the backstop.	For 2025/26, management should prepare a detailed paper setting out their assessment of the group boundary for all the companies associated with the council. Should it be judged that group accounts are not required, on the basis of materiality, then management should prepare a paper for early review by external audit, so that the position is agreed in advance of the issue of the draft accounts. **Management response** The Council will assess annually whether it considers that group accounts are required and will provide its determination to the external auditor as soon as that determination is able to be made.
● high	**Accounting paper:** Where management has exercised judgement or responded to an audit challenge and audit has requested a supporting paper, the response provided has not always been appropriate or sufficiently robust. Audit requires substantive evidence to support key judgements, including in cases where third-party advice (for example, from CIPFA) has been obtained.	Where management has made an accounting judgement or are responding to audit challenge, management should prepare an accounting paper which sets out factors such as: 1) **Relevant Accounting Standards / Guidance:** summary of the authoritative sources that informed management's view, such as: • CIPFA Code of Practice (cite section/paragraph). • IFRS/IPSAS standard paragraphs. • CIPFA or third-party technical advice. 2) **Quantitative Impacts:** Provides clear a clear summary of the financial statement impact, Sensitivity analysis of key assumptions and management assessment of materiality (qualitative and quantitative) **Management response** Agreed

Action plan (cont.)

Assessment	Issue and risk	Recommendations
● Medium	We have noted a control deficiency around the identification and completeness of the lease register. The Council have performed exercises to identify leases for the implementation of IFRS16 in 24/25. The council have been unable to fully demonstrate that the business rates listings for properties which they have extracted have been checked for full completeness for leases	Management should revisit the exercise to support the completeness of IFRS16 disclosures by ensuring that the exercise of matching business rates payable to the FAR is completed, as currently the council doesn't have adequate processes around completeness. **Management response** Additional assurances for completeness will be sought for the 2025/26 closedown process through detailed analysis of business rates payable, to identify properties that may be subject to IFRS16 implications, including a detailed narrative on the approach taken.

Continued overleaf...

Action plan (cont.)

Assessment	Issue and risk	Recommendations
● Medium	We have raised a control weakness in our grant income testing. Management had difficulty demonstrating the grant conditions (which impacts on the accounting) for some of our sample due to missing documentation. Rather than agreeing to the grant letter, alternative procedures had to be adopted such as Management contacting the grant provider directly to confirm the conditions have been met	Management should make sure that they retain documentation that demonstrates the conditions of the grant, to support the accounting treatment. **Management response** We will take additional steps to ensure that documentation is provided and retained centrally during the production of the draft Statement of Accounts.
● Medium	Adult social care: we agreed all our sample items to the controc system. However, we were unable to agree to third party confirmation in 7/13 cases, indicating a deficiency in record keeping because there should be an audit trail to primary evidence such as contracts for all individuals.	Management should take steps to ensure that the underlying records to support packages of care are in place and available. **Management response** We will review the process to set up care packages and ensure that contracts are held and retained in the appropriate place
● Medium	Financial instruments: or LT Investment SP Vehicle, we noted that the SPV does not receive a specific valuation and is held at cost, however per CIPFA Code long-term investments in SPVs must be valued at fair value unless cost is the only reliable measure.	Management should obtain a formal valuation of the SPV investment performed by a suitably qualified professional to comply with the requirements of IFRS 9 applied under the CIPFA Code. **Management response** The Council will liaise with specialist treasury advisors who provide other fair value calculations to ascertain whether a fair value assessment can be sought or if cost is the only reliable measure, with reasons for such approach.
● Medium	We undertook company house checks for the names of the councillors and identified instances where there appeared to be undeclared interests. We reviewed the transactions with those organisations and judged the valueds to be sufficiently small as highly unlikely to be material to either organisation indicating that they were not omitted from the related parties note.	Management should remind members of the need to disclose all organisations in which they have an interest. **Management response** agreed

Action plan (cont.)

Assessment	Issue and risk	Recommendations
. Medium	Capital Programme-HRA-We concluded that the absence of identifiable capital contracts for significant components of the HRA capital programme leads the capital commitments disclosure to be incomplete or understated.	Management should develop and maintain a centralised register of capital contracts across the entire capital programme to support the accurate calculation and disclosure of capital commitments at the year-end. **Management response** Agree in principle, this would be challenging and so we will consider how this could be implemented.
Medium	Our work performed on the debtors testing has identified outstanding debt from the financial years 2015/16 and 2021/22 that the Council is not actively pursuing. No payments have been received to date, indicating that these balances are likely irrecoverable and should be considered for write-off.	Management should strengthen current processes for regular review of aged debt and ensure appropriate write-off procedures are undertaken in a timely manner. **Management response** Write-off procedures to be reviewed and enhanced as necessary.
low	Pension guarantees: management assessment could be improved to better document IFRS6 and IFRS9 considerations.	Improved assessments should be completed for the 2025/26 accounts that provides a better documentation of how the council complies with the standards. **Management response** Agreed
low	A percentage of staff costs had been charged to the HRA for homelessness, however these percentages were not supported by timesheets	Management should have available a clear assessment to support the recharges of staff costs to the HRA . Ideally any charges should be underpinned by timesheets. **Management response** Calculations supporting recharges of staff costs to the HRA are updated on a regular basis. A full review of recharges is currently underway, in advance of agreeing recharge bases for the 2026/27 financial year.

Value for Money arrangements

Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR was reported to you on November audit and risk assurance committee.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

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.

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.

In undertaking this work we have identified one significant weakness in the Council's accounts production. We raised a key recommendation to address the issues that caused the delay in the production of the statement of accounts after the statutory deadline of 30 June 2025.

Independence considerations

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 [and network firms]). In this context there are no independence matters that we would like to report to you.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or 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 Authority
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 Authority 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 Authority
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 Authority, 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 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 and network firms 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.

Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to January 2026, 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 Authority'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 Sandwell Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees as set out overleaf.

Audit fees	**£**
Audit of Authority	£745,690
Audit of subsidiary	£37,600
Total	£783,290

Fees and non-audit services

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	83,000	70,000 tbc	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £xx in comparison to the total fee for the audit of £641,933 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.
Teachers Pension	12,500	12,500 tbc	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £xx in comparison to the total fee for the audit of £641,933 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.
DFT	-	7,875 tbc	Self-Interest (because this may be a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £xx in comparison to the total fee for the audit of £641,933 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.
			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.
Total	95,500	90,375		

Fees and non-audit services

Total audit and non-audit fee	
(Audit fee) 655,315	(Non-audit fee) £90,375

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- fees per financial statements £642k
- Additional fees – see next page £14k
- Total fees per table above - £655k

This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Additional fee analysis – fee variation for in year work

The following table sets out further information on additional fees for non-recurring audit work not covered by the PSAA scale fee. In the audit plan, we reported that additional audit work would be required on the first-time adoption of IFRS 16 (leases) and also the implementation of the new financial ledger (Oracle Fusion).

Grade	Rate (Determined by PSAA)	Hours	Fee variation for Audit 2024/25
Partner/Director	£428	3	1284
Senior Mgr/ Mgr	£236	9	4484
Senior Auditor	£153	23	3519
Other staff	£117	35	4095
Total		70	13,382

The above is subject to review by PSAA who will make a final determination.

Appendices

A. Communication of audit matters with 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 matters in relation to going concern	●	●
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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

Our team and communications

Grant Thornton core team

Andrew Smith
Engagement Lead/
Key Audit Partner

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

Zoe Thomas
Senior Audit Manager

- Audit planning
- Resource management
- Audit reporting

Lisa Mackenzie
Senior VFM Manager

- VFM audit planning
- VFM audit fieldwork
- VFM audit reporting

Boniswa Yende
Technology Manager

- IT audit planning
- IT audit fieldwork
- IT audit reporting

Matthew Berrisford
Audit Senior / In-charge

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

Pool of audit specialists including IT and financial modelling.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• 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.

Logistics

The audit timeline

Key Dates

Year end:

31 March 2025

Audit committee:

February 2026

Sign off:

February 2026

Audit phases:

Planning visit – January to March 2025

Interim visit – April 2025

Final visit – August to January 2026

Completion – January& February 2026

Planning visit – January to March 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

Interim visit – April 2025

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.
- Issue the Audit Plan to management and Audit Committee

Final visit – August to January 2026

Key elements

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

Completion – January& February 2026

Key elements

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

E. Audit opinion

Independent auditor's report to the members of Sandwell Metropolitan Borough Council

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Sandwell Metropolitan Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Movement in Reserves Statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

On 27 February 2025, we issued a disclaimer of opinion on the Authority's and the group's financial statements for the year ended 31 March 2024. We were not able to obtain sufficient appropriate audit evidence by 28 February 2025, the previous backstop date, over the Authority's and group's opening balances, in-year movements in the net pension liability and property, plant and equipment, the closing balance of property, plant and equipment and the closing reserves balance reported in the financial statements for the year ended 31 March 2024. We were therefore unable to obtain sufficient appropriate evidence over the associated corresponding figures for the year ended 31 March 2025 for the same reason.

As a result of the limitations imposed by the backstop date, we have been unable obtain sufficient appropriate audit evidence over the Authority's and group's opening balances of property, plant and equipment and reserves reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over their in-year movements. Similarly, this has also resulted in uncertainty over the closing balance of property, plant and equipment of £2,732 million and the closing balance of Investment property £76 million and reserves of £2,236 million as at 31 March 2025.

In addition, the Authority did not carry out an appropriate assessment of its group boundaries in preparation of the draft financial statements. A revised assessment was provided in January 2026. Consequently, we have been unable to satisfy ourselves over the Group account balances, this has resulted in uncertainty over the Group Accounts' balances as at 31 March 2025.

We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

E. Audit opinion

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of the above matters.

E. Audit opinion

Responsibilities of the Authority and the Section 151 Officer

As explained more fully in the Statement of Responsibilities the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year-ended 31 March 2025.

We have nothing to report in respect of the above matter except on the 16 March 2023 we identified a significant weakness in the Authority's governance arrangements for the year ended 31 March 2021. This related to the external audit of the financial statements being significantly delayed due to the quality of the financial statements and working papers presented for audit. We reported that the failure to publish annual accounts on a timely basis undermines the ability of those charged with governance to ensure good financial stewardship and fails to provide a transparent financial position to the public. We recommended that the Authority needs to make significant improvements in its arrangements to deliver accurate financial statements in a timely manner and to support an efficient audit. This significant weakness was not fully addressed during 2021/2, 2022/23, 2023/24 or 2024/25 and therefore remained in place as at 31 March 2025.

E. Audit opinion

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

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

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Sandwell Metropolitan Borough Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Use of our report

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

E. Audit opinion

[**Signature**]

Andrew J Smith Key Audit Partner

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

Birmingham

February 2026

Grant Thornton