

Shropshire and Wrekin Fire and Rescue Authority

Audit progress report and sector update

September 2025



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Audit Progress Report

Introduction

Richard Anderson

Key Audit Partner

T: 0121 812 7658

E: richard.j.anderson@uk.gt.com

Elliot Baker

Manager

T: 0121 232 5250

E: elliot.a.baker@uk.gt.com

Aman Agarwal

In-charge Auditor

T: 020 7383 5100

E: aman.agarwal@uk.gt.com

This paper provides the Standards, Audit and Performance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of emerging issues which the Committee may wish to consider.

Members of the Standards, Audit and Performance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at September 2025

Financial Statements Audit

Our Audit Plan was presented to the July 2025 Standards, Audit and Performance Committee. Our work on the audit commenced earlier in the year with allocations in February through to April. During this time, we completed the majority of our audit planning and some advanced audit work.

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

- Management override of control
- Valuation of land and building (PPE)
- Valuation of the pension fund net liability

We have rebutted the presumed significant risks in relation to fraud in revenue and expenditure recognition.

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

We received draft accounts from management on 11 July 2025, which was shortly after the statutory deadline for publication of 30 June 2025. We have received working papers to support the accounts and are completing our initial reviews prior to commencing audit fieldwork in October 2025. We will continue to work closely with the finance team throughout this period.

We aim to complete the majority of our financial statement audit work by the end of November, enabling us to present our Audit Findings Report to the December Standards, Audit and Performance Committee.

Value for Money

As reported in our Audit Plan, our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Financial sustainability- in relation to increasing deficits in the medium-term financial plan and the need to develop savings and deliver efficiencies to balance the revenue budget in future years.
- Governance- in relation to leadership and culture, informed decision making and the capacity of statutory officers. We identified a significant weakness in each of these areas as part of our 2023/24 Value for Money work. We will follow up on the Authority's progress in addressing the key recommendations raised.
- Economy, efficiency and effectiveness- in relation to the Cause for Concern reported by HMICFRS regarding the Authority's arrangements for making best use of resources. We will follow up on the Authority's progress in addressing the key recommendation raised as part of our 2023/24 Value for Money work.

Our risk-based work in each of these areas is now in progress and we have meetings scheduled with relevant officers over the next 2 weeks to discuss our work.

We aim to complete our Value for Money work by the end of November and present our Auditor's Annual Report which will summarise our findings, to the December Standards, Audit and Performance Committee.

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Deliverables	Planned Date*	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2024/25 financial statements.</p>	July 2025	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit and Standards Committee.</p>	December 2025	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	December 2025	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	December 2025	Not yet due

Sector Updates

Financial Instruments in Local Government Accounts (1)

Recommended reading for Audit Committees:

Financial instruments are contracts that give rise to a financial asset for one party and a financial liability or equity instrument for another. In local government, these include a wide range of arrangements such as cash, loans, trade receivables and payables, pooled investments, financial guarantees, and more complex instruments like derivatives or loans with embedded features.

These instruments are governed by accounting standards and can significantly influence how an Authority's financial position and performance are presented in the accounts. Proper identification and treatment of these instruments are essential to ensure that financial statements reflect the true nature of the authority's financial commitments and exposures.

The accounting for financial instruments is not just a technical exercise. It has real implications for financial planning, risk management, and public accountability. Misclassification or incorrect measurement can lead to material misstatements, unexpected financial impacts, or audit challenges. Financial instruments can affect key areas such as the General Fund, usable reserves, and statutory reporting.

Ensuring that these instruments are correctly accounted for supports transparency, compliance with professional and statutory requirements, and the safeguarding of public resources.

We have recently released a thought leadership report, "Local authority accounting: Avoiding pitfalls in financial instruments" which covers financial instruments in detail.

Our full report includes insight about some of the potential pitfalls relating to financial instruments that can occur in local authority accounts. In addition, each section includes a range of challenge questions for authorities to consider.

The table on the next page highlights key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions that Audit Committee members may wish to raise with management.

The full report is available here:

[Local authority accounting: Avoiding pitfalls in financial instruments | Grant Thornton](#)



Financial Instruments in Local Government Accounts (2)

Key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions for Audit Committees to ask:

Area of Focus	Description	Challenge Questions
Identification	Proper identification ensures that all relevant instruments are captured in the financial statements and assessed for risk and impact. While some items like loans and investments are obvious, others may be less visible.	<ul style="list-style-type: none"> How have you ensured that all financial instruments, including less obvious or complex arrangements, have been identified? What controls are in place? Have any new or unusual arrangements been reviewed for potential financial instrument implications?
Classification	Financial instruments must be classified based on how they are managed and the nature of their cash flows. Classification determines how movements are reported in the financial statements and can influence the volatility of reported results.	<ul style="list-style-type: none"> What process is followed to determine the classification of financial instruments, and how do you ensure that the classification reflects the nature of the financial instrument, including both business purpose and characteristics? Have any instruments been classified differently this year, and if so, why?
Measurement	Once identified and classified, financial instruments must be measured appropriately. Measurement affects reported balances and income, and errors can lead to misstatements.	<ul style="list-style-type: none"> What valuation methods are used for financial instruments, and how are they validated? Were any experts required during this process? Do changes in assumptions or market conditions require remeasurement?
Disclosure	Disclosures help users of the financial statements understand the nature, significance, and risks of financial instruments. Disclosures should be tailored to your specific circumstances, avoiding unnecessary complexity or boilerplate language.	<ul style="list-style-type: none"> How do you ensure that disclosures are tailored to reflect the authority's specific financial instruments and risks, and are any additional disclosures required for unusual or complex financial instruments, or for particular risks? Are disclosures complete, clear, and free from unnecessary detail?
Other Considerations	Other considerations include soft loans, capital treatment of financial assets, statutory overrides, and the requirement to make prudent revenue provisions (MRP) for certain losses. These adjustments can have a direct impact on financial planning and budget setting.	<ul style="list-style-type: none"> Have all relevant statutory overrides and adjustments been correctly applied and disclosed, and what impact have these adjustments had on the General Fund or other usable reserves? Are expected credit losses / impairments reflected in the financial strategy?

The Local Authority Backstop

Key information for Audit Committees to be aware of:

On 5th June 2025, the National Audit Office published [Local Audit Reset and Recovery Implementation Guidance \(LARRIG 06I\)](#). This followed on from the fact that on 28 February 2025, approximately 40% of local authorities received an unqualified opinion on their financial statements for 2023/24; and the remaining 60% of audits were disclaimed as auditors had not been able to conclude work by the deadline.

We are pleased to report that Grant Thornton issued unqualified opinions on 65% of our local audits (including at Shropshire Fire and Rescue Service), well ahead of the national average. Nevertheless, all Audit Committees need to be aware of work currently ongoing across the sector to help rebuild assurance for stakeholders.

How you can support us

Timely preparation of draft accounts and high quality supporting working papers is fundamental to the success of audit closedown. We look for all local authorities to prioritise this in enabling the sector to return to balance.

An audit approach to build back assurance on financial statements*

The LARRIG provides principles as well as indicative procedures which, with the application of professional judgement, enable the auditor to regain assurance in respect of opening balances. These include a framework for auditors to:

- ❖ Assess risk at an entity wide level
- ❖ Assess risk at a line-item level including in respect of specific balances and reserves
- ❖ Determine a response to risk, including appropriate testing of prior year transactions.

This will enable auditors to undertake audit work in respect of old year transactions (e.g. years which were not subject to an audit). Without that work, there would be uncertainty as whether reserves are properly accounted for.

*Please note, for Shropshire and Wrekin Fire and Rescue Authority, this is not currently relevant and will continue to not be relevant if the Authority are able to produce financial statements on time and accommodate audit requests to enable audits to be completed in advance of the backstop date. For 2024/25 financial statements, the backstop date is 27 February 2025. Our audit work is scheduled to be complete 2 months in advance of this date.

Future Webinars for Audit Committee members



We plan to hold a webinar for members of Audit Committees on 27th January 2026. Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

Areas our webinar will help with include:

Managing debt:

Understanding the true level of debt across all sources;

Assessing the viability of plans for debt repayment;

Understanding and assessing current and future exposure to risk; and

Best practice for Councils managing debt.

Local government reorganisation:

Understanding and anticipating outcomes from the latest submissions;

Managing change whilst waiting for decision announcements; and

Preparing for next steps after decision announcements.

Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>



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