

The Audit Plan for Shropshire County Council

Year ending 31 March 2026

March 2026



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The Backstop

The Future of 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 require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027; and
- for years ended 31 March 2028 by 30 November 2028.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support 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.

Our Work

In order to meet future statutory deadlines, for 2025/26 we will be working towards an internal deadline of 30 November 2026, as a dry run for future years. The 2024/25 audit was substantially complete at the time of the Audit and Governance Committee in November 2025 (although the receipt of final confirmation of Exceptional Financial Support delayed final sign-off) which demonstrates that the overall timeline set for delivering the audit is achievable. Efficient delivery will continue to rely on the strong cooperation we have experienced to date, including timely responses, clear communication and the provision of good-quality working papers. Maintaining this approach will support us in completing the audit in line with the agreed timetable.

Introduction and headlines



Purpose

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

Respective responsibilities

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

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's and Group's financial statements that have been prepared

by management with the oversight of those charged with governance (the Audit & Governance Committee); and we consider whether there are sufficient arrangements in place at the Council and Group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

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

Our audit approach is based on a thorough understanding of the Council and Group and is risk based.

Introduction and headlines (continued)

Significant risks

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

- Management override of control
- Valuation of Land and Buildings (Council)
- Valuation of Council dwellings (Council)
- Valuation of Investment Property (Council)
- Valuation of Gross pension liability (Council)

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

Materiality

We have determined planning materiality to be £16.34m (PY £14.72m) for the Council which equates to 1.92% for the Council of your prior year gross operating costs for the year. Our internal guidelines mean that component materiality is capped at 95% of group materiality. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. In the previous year audit, we have not identified material adjustments in the financial statements therefore we have increased performance materiality from 65% to 75%.

Clearly trivial has been set at £817k (PY £736k) for

the council.
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Group Audit

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

- Shropshire Towns and Rural Housing (STARH) Ltd
- West Mercia Energy
- West Mercia Supplies (Pensions)
- Cornovii Developments Limited (CDL)
- Biodynamic Carbon Ltd

Group planning materiality has been set at £17.200m (PY 15.495m), which equates to 2.00% of your prior year gross operating costs for year for the group.

Clearly trivial has been set at £860k (PY 774.8k) for the Group.

Value for Money arrangements

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

- Financial sustainability
- Governance

More detail is included from page 20.

Audit logistics

Our interim visit will take place in March & April 2026, and our final visit will take place in July to November. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £420,970 (PY: £419,504) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

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

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

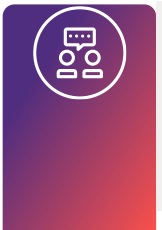


“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of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

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

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p> <p>Risk relates to</p> <p>Council and Group</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Council and Group. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue. This is due to the following:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities (including Shropshire Council, mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider this to be a significant risk for Shropshire Council.</p>	<p>Despite the rebuttal of this risk, we will still undertake a significant level of work on the Councils's revenue streams as they are material. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p> <p>We will:</p> <ul style="list-style-type: none"> • Evaluate the Council's accounting policy for recognition of income for appropriateness and compliance with the Code • Update our understanding of the system for accounting for the income and evaluate the design of associated processes and controls • Agree on a sample basis relevant income and year end debtors /income accruals to invoices and cash payment or other supporting evidence • Carry out testing on sample basis of invoices issued in the period prior to and following 31 March 2026 to determine whether income is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties • 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 to agree back to supporting documentation and subsequent receipt, considering accounting treatment where appropriate



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

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

Significant risks identified (continued)

Significant risk

The expenditure cycle includes fraudulent transactions

Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.

Risk relates to

Council & Group

Audit team's assessment

We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the following:

- Expenditure is primarily related to employee costs
- Lack of incentive to manipulate financial results, coupled with an overall strong control environment.

Therefore, we do not consider this to be a significant risk for Shropshire Council.

Planned audit procedures

Despite the rebuttal of this risk, we will still undertake a significant level of work on the Council and Group's expenditure streams as they are material. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.

We will:

- Evaluate the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code;
- Update our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls;
- Agree on a sample basis relevant expenditure and year end payables and accruals to invoices or other supporting evidence;
- We will carry out testing on sample basis of invoices received in the period prior to and following 31 March 2026 to determine whether expenditure is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of Land and Buildings</p> <p>Risk relates to</p> <p>Council</p>	<p>The 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 fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>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.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Evaluate the competence, capabilities and objectivity of the valuation expert • Write to the valuer to confirm the basis on which the valuation is carried out to ensure that the requirements of the CIPFA Code are met • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • Test revaluations made during the year to see if they have been input correctly into the Council's asset register • Evaluate 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. • For assets that don't go through formal valuation, we will review the indices selected, including assessing their relevance and reasonableness for the associated asset classes. • Confirm the correct application of the indices to the underlying asset categories and verify the mathematical accuracy of the indexation calculations. • Ensure the resulting valuation movements and disclosures in the financial statements are appropriate and comply with the Code

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of Council Dwellings</p> <p>Risk relates to</p> <p>Council</p>	<p>The Council is required to revalue Council dwellings annually. The Council 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 the properties cannot be sold on the open market.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of Council dwellings, particularly revaluations and impairments, as a Significant Risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Evaluate the competence, capabilities and objectivity of the valuation expert • Write to the valuer to confirm the basis on which the valuation is carried out to ensure that the requirements of the CIPFA Code are met • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • Consider and evaluate the reasonableness of the Beacon properties, to which other properties were allocated, and the appropriateness of variances thereto • Test revaluations made during the year to see if they have been input correctly into the Council's asset register.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of Investment Property</p> <p>Risk relates to</p> <p>Council & Group</p>	<p>The Council carries out a rolling programme that ensures that all Investment Properties required to be measured at current value is revalued at least every 5 years and are subject to an annual desktop review, in year where a full valuation is not undertaken.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We will focus our audit attention on those assets that have large/unusual changes in valuation or approaches to valuation, including key inputs, has changed. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will report an updated risk assessment of land and buildings in our Audit Findings Report.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Evaluate the competence, capabilities and objectivity of the valuation expert • Write to the valuer to confirm the basis on which the valuation is carried out to ensure that the requirements of the CIPFA Code are met • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • Test revaluations made during the year to see if they have been input correctly into the Council's asset register

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of the Gross Pension Liability</p> <p>Risk relates to</p> <p>Council</p>	<p>The Gross Pension Liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in the key assumptions.</p> <p>The methods applied in the calculation of IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by the administering authorities and employers. We do not consider this to be a significant risk as this easily verifiable.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund liability is not materially misstated and evaluate the design of associated controls • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuations • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • Test the consistency of the pension fund liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • Obtain assurances from the auditor of the Shropshire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund

Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
<p>Exceptional financial support</p> <p>Risk relates to</p> <p>Council</p>	<p>Due to its deteriorating financial position, the Council has been informed by MHCLG that it is likely to be in receipt of Exceptional Financial Support (EFS) in 2025/26 amounting to £71.4m</p> <p>Due to the significance of EFS to the Council, we identified the presentation and disclosure of exceptional financial support a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the Council’s accounting policy for recognition of external financial support for appropriateness • Gain an understanding of the Council’s system for accounting for exceptional financial support and evaluate the design of associated controls • Test a sample of balances • Ensure disclosures in the accounts are appropriate



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.”

(ISA (UK) 315)

Other risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Capitalisation of the North-West Relief Road projects costs</p> <p>Risk relates to</p> <p>Council</p>	<p>Included in the Council's Assets Under Construction balance as at 31 March 2025 are costs relating to the North-West Relief Road project of £32.2m.</p> <p>The project was initially paused on 23 June 2025, and approval was sought from the Council on 26 February 2026 to formally cancel the project.</p> <p>Under the CIPFA Code of Practice, expenditure may only be capitalised where it meets the definition and recognition criteria of an asset. Expenditure relating to cancelled or abandoned projects must be written off to revenue and cannot remain on the Balance Sheet as AUC.</p> <p>Given the material value of the balance, the judgement involved in determining whether any element remains recoverable, and the requirement to fully derecognise and expense the cancelled project, there is a significant risk of material misstatement relating to the classification, valuation and presentation of AUC.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Obtain and evaluate management's assessment of the project cancellation and the resulting accounting treatment. • Review supporting evidence (e.g., decision papers, Cabinet reports, capital programme updates) confirming cancellation. • Confirm that the full value of non-recoverable spend is written off to revenue in accordance with the Code. • Review accounting entries, impairments and derecognition adjustments for accuracy. • Assess adequacy of disclosures relating to project cancellation and associated financial impact.

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Our approach to materiality

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

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Materiality for the Group financial statements	£17.2m	This benchmark is determined as a percentage of the Council's group gross expenditure in the prior year (£860.866m), which has been amended to 2% (1.8% in the prior year).
Materiality for the Council financial statements	£16.34m	This benchmark is determined as a percentage of the Group's materiality benchmark (£17,200m) using 95% as a baseline.
Triviality for the Group financial statements	£0.86m	We have used 5% of group materiality level as our threshold for reporting issues
Triviality for the Council financial statements	£0.817m	We have used 5% of Council materiality level as our threshold for reporting issues
Materiality for specific transactions, balances or disclosures	£0.021m	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £0.021m.



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

IT audit strategy

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

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

IT application	Audit area	Planned level IT audit assessment
Unit 4 ERP	Financial reporting and payment system	<p>Detailed understanding of the IT general controls covering the design and implementation effectiveness.</p> <p>We will complete the following tasks as part of the IT Audit:</p> <ul style="list-style-type: none"> • Evaluate changes to the design and implementation effectiveness for security management; change management and technology infrastructure controls. • Perform high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas.
Active Directory	N/A	<p>Detailed understanding of the IT general controls covering the design and implementation effectiveness.</p> <p>We will complete the following tasks as part of the IT Audit:</p> <ul style="list-style-type: none"> • Evaluate changes to the design and implementation effectiveness for security management; change management and technology infrastructure controls. • Perform high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas.

Interim Audit Work

Details of work to be conducted at interim:

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. An indicative plan of the areas that we would cover at interim is set out below, this will be finalised and agreed with management prior to the commencement of our interim visit.

Description	Work commentary
Review of prior year recommendations	We will perform a review of the Council's progress against audit recommendations we have raised in the prior year.
Advance testing areas	We will select samples and perform advance testing on: <ul style="list-style-type: none"> • fees and charges • Material grant income • operating expenditure • ControCC expenditure • Precepts and Levies • PFI Unitary Payments invoice testing.
Significant / one-off transactions / changes in policy	We will perform review of the significant / one-off transaction / change in policy and identify elements for further testing where appropriate. We will inquire/perform a review of the Council's approach to the 2025/26 capitalisation direction

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Initial Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p>Financial sustainability</p>	<p>R</p> <p>Pervasive weaknesses in arrangements were identified and a statutory recommendation raised in relation to the current and medium-term financial position of the Council, along with issues of budget monitoring and reporting.</p> <p>Two key recommendations were raised relating to the council's savings plans leading to the sustainability challenges facing the council and Dedicated Schools Grant deficit.</p> <p>One improvement recommendation was raised relating to the Council's capital reporting.</p>	<p>There is a risk of significant weakness in arrangements for identifying and managing a structural deficit.</p> <p>This risk of significant weakness follows directly from the Statutory Recommendation raised in the AAR for 2024/25</p>	<p>Our audit testing will include procedures to identify and monitor progress with actions in the new Improvement Plan, Capital Strategy, Financial Strategy and Internal Audit recommendation on budget monitoring. We will also include procedures to:</p> <ul style="list-style-type: none"> Identify and evaluate progress with the capital programme in 2025/26. Review final outturn for 2025/26 and Assess the effectiveness of arrangements after a financial emergency was declared in September 2025, Review the effectiveness of budget monitoring arrangements for identifying and mitigating any specific areas of overspend in year. Review of progress in implementing Internal Audit recommendation on budget monitoring. Test progress with actions to respond to recommendations from the July 2025 corporate peer review.

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

Risks of significant weakness in VFM arrangements (continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p>Financial sustainability (continued)</p>	<p>R</p> <p>Pervasive weaknesses in arrangements were identified and a statutory recommendation raised in relation to the current and medium-term financial position of the Council, along with issues of budget monitoring and reporting.</p> <p>Two key recommendations were raised relating to the council’s savings plans leading to the sustainability challenges facing the council and Dedicated Schools Grant deficit.</p> <p>One improvement recommendation was raised relating to the council’s capital reporting.</p>	<p>Risk of significant weakness in arrangements for identifying achievable savings.</p> <p>Risk of significant weakness in arrangements to manage the DSG deficit.</p> <p>Risk of significant weakness in arrangements for consistent financial and operational planning.</p>	<p>Our audit testing will:</p> <ul style="list-style-type: none"> • Review of progress with savings plans by year end and progress with arrangements for future transformation. • We will obtain a copy of the DSG Recovery Plan and monitor progress against it. This will include considering year end outturn on DSG and direction of travel for the overall size of the deficit. • Testing to evaluate the impact of planning to transfer assets to town and parish councils; head office relocation; and new management structure • We will confirm that the new operating model is working as expected in 2025/26 and establish whether there has been a post implementation review or lessons learnt exercise in relation to this.

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

Risks of significant weakness in VFM arrangements

(continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p style="text-align: center; font-weight: bold; color: white;">Governance</p>	<p style="text-align: center; font-weight: bold; color: white;">R</p> <p>Risk of significant weakness identified in relation to North West Relief Road. Risk also identified in relation to addressing of Internal Audit recommendations. One key recommendation raised relating to the “Limited Assurance” opinion from the Head of Policy and Governance (Internal Audit). One statutory recommendation that relates to governance issues with budget monitoring and reporting that impacted on the 24/25 outturn position.</p>	<p>Risk of significant weakness in arrangements for identifying and managing risk and operating internal controls</p>	<p>We will:</p> <p>monitor the Council's progress with delivering the following actions (which it committed to in November 2025)</p> <ul style="list-style-type: none"> • We will carry out procedures to determine whether the findings from IA on the system of risk management are actioned. • Our audit will include checks on progress with IA recommendations and also checks on Internal Audit progress reports to consider the direction of travel with their recommendations. We will conduct procedures to confirm the rate at which IA recommendations are implemented. • We will review progress and arrangements for monitoring the 2024/25 AGS Action Plan. We will compare how many actions are closed during 2025/26 and how many are rolled forward to 2025/26 AGS to assess management's appetite for continuous improvement. • We will confirm whether the governance risk on the Strategic Risk Register overlaps with risk management and internal audit governance issues we are already aware of, or whether this is a separate issue we need to address

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

Risks of significant weakness in VFM arrangements

(continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Governance	<p>R</p> <p>Risk of significant weakness identified in relation to North West Relief Road. Risk also identified in relation to addressing of Internal Audit recommendations. One key recommendation raised relating to the “Limited Assurance” opinion from the Head of Policy and Governance (Internal Audit). One The statutory recommendation that relates to governance issues with budget monitoring and reporting that impacted on the 24/25 outturn position.</p>	<p>A new risk of significant weakness was identified relating to arrangements for senior staff continuity, skills and capacity - rapid changes in CEO and s151 roles in 2025/26, and other planned management restructuring and redundancies.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify and document change overs in senior leadership and any other actual/ planned changes in management structure Evaluate the continuity of governance and oversight during periods of changeover. Assess effectiveness of arrangements to maintain skills and knowledge during periods of changeover. Identify and assess arrangements for management restructuring and potential redundancies and the mitigations put in place for continuity of knowledge and experience.
Improving economy, efficiency and effectiveness	<p>G</p> <p>No risks of significant weakness was identified however an improvement recommendation made in relation to the recommendations raised in the LGA Peer Review</p>	<p>No risks of significant weakness identified</p>	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage.</p> <p>No risks of significant weakness reported. We will follow up improvement recommendation made regarding the LGA Peer Review.</p>

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

Risks of significant VFM weaknesses

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

Potential types of recommendations



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline

Key Dates

Audit phases:

Planning – 1 week
January 2026

Interim – 4 weeks
w/c 16 March 2026

Final – 14 weeks
July – Nov 2026

Year end:
31 March 2026

Audit and
Governance
Committee:
25 June 2026

Audit and
Governance
Committee:
Nov 2026

Sign off:
November
2026

Key elements

- Planning meeting with management to set audit scope
- Agree timetable and deliverables with management

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Issue the Audit Plan to management and Audit & Governance Committee
- Planning meeting with Audit & Governance Committee to discuss the Audit Plan
- Any planned Interim testing.

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Audit of the financial statements
- Weekly update meetings with management
- Technical review of financial statements

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Audit Findings presentation to Audit & Governance Committee
- Auditor’s Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Avtar Sohal
Engagement Lead/Key Audit Partner

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

Terry Tobin
Senior Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Zizopho Khonza
In-charge

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

Pool of specialists and other technical specialists (e.g. IT audit)

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

Our fee estimate

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Property, Plant and Equipment
 - Pensions

Previous year

In 2024/25 the scale fee set by PSAA was £400,504. The actual fee charged for the audit, including audit of subsidiary companies (where applicable) was £419,504.

Company	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Shropshire Council Audit	400,504	420,970
IFRS 16	10,000	0
Additional Group procedures	9,000	9,000
Total (Exc. VAT)	419,504	429,970

Our fee estimate (continued)

Relevant professional standards

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

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £420,970.

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

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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

Updated Auditing Standards

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

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, we confirm there are no matters that we are required to report:

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

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

The only matter we wish to bring to your attention is that our PFI team have been engaged to carry out some work for your waste contractor Veolia. We have ensured appropriate safeguards are in place including ensuring the PFI team have no access to any information held by the audit team and requiring the audit team to confirm adherence to strict protocols around our work and information barriers obtained during the course of the audit.

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.

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

Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year to date as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Shropshire Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees as detailed below

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Teachers' Pension Return (2024/25) 2025/26 fee TBC	12,500	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 low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
Certification of Housing Capital receipts grant (2024/25) 2025/26 fee TBC	10,000	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 expected to be low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.

Fees and non-audit services (continued)

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Comparative review of the approach to rail devolution and comparison to WMRE blueprint. (WMCA is primary customer)	75,000	<ul style="list-style-type: none"> • Self Interest • Self review 	This fee is related to work where WMCA is the primary customer, with Shropshire Council only impacted if this comes to fruition. The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is expected to be low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed, one-off fee and there is no contingent element to it. These factors all mitigate the perceived self interest threat to an acceptable level. To mitigate against the self review threat, we are not producing any reports that would lead to figures in the financial statements. Additionally, there is a separate team that does this work and the advisory team would not work on the audit. The audit team would also not work on the advisory work.
Certification of Housing Benefit subsidy claim (2024/25) 2025/26 fee TBC	45,000	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 expected to be low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow
Audit of subsidiary company Shropshire Towns and Rural Housing Limited (STaRH) (Fee is paid for by STaRH Housing)	38,200	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 expected to be low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
North-West Relief Road	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 expected to be low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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 and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●

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

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

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

Communication of audit matters with those charged with governance (Continued)

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.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Council & Group’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

Escalation Policy

The Backstop

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

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

Escalation Process

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

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

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

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

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

Step 3 - Escalation to S151 Officer (within one month of deadline)

- If the delay persists, we will escalate the issue to the S151 Officer, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

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

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

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

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

Aim

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

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five-year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

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

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

IFRS 18 Presentation and Disclosure in the Financial Statements

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

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

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

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from [2027/28](#).

Group audit scope and risk assessment

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Risks identified	Auditor
Shropshire Council	Yes	Audit of the entire financial information of the component	Group auditor	Please refer to pages 6 -12	Grant Thornton UK
Cornvoii Development Limited (CDL)	No	Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements	Component auditor	Stock quantities are incorrect Figures used for the consolidation incorrect Consolidation not completed correctly	Grant Thornton UK
Shropshire Towns and Rural Housing (STARH) Ltd	No	Analytical procedures at group level	Group auditor	N/A	Grant Thornton UK
West Mercia Energy	No	Analytical procedures at group level	Group auditor	N/A	Grant Thornton UK
West Mercia Supplies (Pensions)	No	Analytical procedures at group level	Group auditor	N/A	Grant Thornton UK
Biodynamic Carbon Ltd	No	Analytical procedures at group level	Group auditor	N/A	Grant Thornton UK

Group audit scope and risk assessment (continued)

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.

Key changes within the group

- There has been no changes to the group from prior year. Our work undertaken at the planning stage and discussions with management have confirmed this.

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

Involvement in the work of component auditors

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

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

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

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



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