The Audit Findings (ISA260) Report for South Gloucestershire Council

Year ended 31 March 2024

20 December 2024

Grant Thornton

Private and Confidential

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20 December 2024

Dear Members of the Audit and Accounts Committee,

Audit Findings for South Gloucestershire Council for the year ended 31 March 2024

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 have been discussed with management.

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 drive audit quality by reference to the Audit Quality Framework. 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-2023.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.

Laurelin Griffiths

Director
For Grant Thornton UK LLP

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of South Gloucestershire Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

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

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

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

Our audit work was substantially completed remotely during June-November. Our findings are summarised on pages 7 to 21. We have identified seven adjustments to the financial statements, three of which have been adjusted by management that have resulted in a £13.232m increase in Total Comprehensive Expenditure in the Council's Comprehensive Income and Expenditure Statement. The remaining four adjustments have not been made by management on the basis of immateriality. These would result in a £4.119m reduction in Total Comprehensive Expenditure if adjusted. These errors do not have any impact on the level of the Council's useable reserves.

Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is now substantially complete and there are no matters of which we are aware that would require modification of our proposed audit opinion, or material changes to the financial statements.

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

Our anticipated financial statements audit report opinion will be unmodified.

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1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).

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 cannot formally conclude the audit and issue an audit certificate for South Gloucestershire Council for the year ended 31 March 2024 until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026. We are pleased to confirm that we anticipate concluding your audit in advance of the backstop date.

New National Audit Office Code

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. For South Gloucestershire Council, we have not identified any significant weaknesses in our review of the Council's value for money arrangements in respect of borrowings.

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2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and we anticipate issuing an unqualified audit opinion following the Audit and Accounts Committee meeting on 26 November 2024, as detailed in Appendix G.

Acknowledgements

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

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2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 30 May 2024.

We set out in this table our determination of materiality for South Gloucestershire Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	11,100,000	Materiality is calculated as approximately 1.5% of the Council's annual gross expenditure. We determined this to be a level above which errors or omissions might alter the economic decisions of users of the accounts.
Performance materiality	7,770,000	After evaluating the Council's control environment and previous findings, we have established performance materiality at 70% of the financial statements' materiality. This level of performance materiality helps in assessing the risks of material misstatement and guides the planning of additional audit procedures to minimise the likelihood of uncorrected and undetected misstatements exceeding the overall financial statement materiality.
Trivial matters	555,000	The trivial level has been calculated as 5% of materiality for the financial statements. We view any matters below this threshold as inconsequential, whether considered individually or collectively. Any misstatements exceeding these values will be reported to you.
Materiality for the senior officers' remuneration disclosures.	17,500	Due to public interest, we use specific audit procedures and a lower materiality level for senior officer remuneration disclosures. We focus on detecting errors with precision and request revisions if needed.

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2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Presumed risk of fraud in revenue recognition (rebutted) ISA (UK) 240	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. It was reported in our Audit Plan that we had rebutted the presumed significant risk of material misstatement arising from improper revenue recognition of the Authority's income streams. Our work to date has not identified any issues that would change our assessment. We did however note one immaterial discrepancy between the reported total for capital grants income in the draft financial statements and the breakdown provided to the audit team for sampling. The breakdown was £1.735m greater than the amount reported in the general ledger and accounts. Management were unable to explain the difference. As the amount was not material, we did not carry out further procedures to understand the difference.
Risk of fraud related to expenditure recognition PAF Practice Note 10	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition. It was reported in our Audit Plan that we had determined there was no significant risk of material misstatement arising from improper expenditure recognition of the Authority's expenditure streams. Our work to date has not identified any issues that would change our assessment.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. As previously reported to the Audit & Accounts Committee journals do not require approval prior to being posted to the system. Budget holders do however provide a level of review as all postings should be reviewed. For year-end journals there is a review procedure prior to the journals being input, including a post input review to ensure that accounts are in line with expectations. We noted in the prior year that there are three IT officers with 'superuser' access. This allows changes to be made to financial systems without authorisation.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested 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 with regard to evidence • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. In our journals evaluation for 2023/24 using the Civica ledger, we identified areas needing stronger controls. Considering the adoption of a new ledger system for 2024/25, management should address these deficiencies in the system's design and implementation. Control deficiencies included: • Journals are posted to the ledger without authorisation, creating a risk of fraudulent and erroneous entries. Prior audit reports have highlighted this control weakness. • Users can back-post journals to previous months or forward-post journals to future months within the financial year, posing a risk of fraudulent and erroneous entries. We included these journals in our assessment of unusual journals for testing and found no issues to report. • Senior officers have access to post journals, posing a risk of fraudulent entries. However, our additional review found no journals posted by senior officers in 2023/24. • The financial systems team has Civica admin access, which, when combined with financial privileges, poses a risk of bypassing system-enforced internal controls. This could result in unauthorised changes to system parameters, creation of unauthorised accounts, and unauthorised updates to user account privileges. There were ten users with this level of access. We did not identify any irregular journal postings by these users. We have raised control recommendations with regards to these issues, refer to Appendix B.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings £556.373m (draft accounts) The authority revalue its land and building on a rolling five-yearly basis, and investment properties on an annual basis. Additionally, management will need to ensure the carrying value in the authority 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 have identified the valuation of land and buildings, particularly revaluations, as a significant risk, which was one of the most significant assessed risks of material misstatement. This valuation represents a significant estimate by management in the financial statements due to the size of the number involved and the sensitivity of this estimate to changes in key assumptions.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by the valuer for those assets revalued at 31 March 2024. For any assets not formally revalued in year we have assessed how management has satisfied themselves that these assets are not materially different to the current value at the year end. Our testing of land and building valuations took longer than planned, due to insufficient initial evidence provided in respect of an internal floor area adjustment made to two assets. We have raised a control recommendation in Appendix B regarding the retention of records relating to floor areas underpinning property valuations. From our work we have not identified any adjustments required to the financial statements.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability £80.286m (draft accounts) The Council's 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 (£124.9m in the Council's 2022/23 balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). 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. 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 their calculation.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability was not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the 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; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures suggested within the report; • obtained assurances from the auditor of the Avon 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; and • reviewed management's assessment under IFRIC 14 to determine whether further onerous liabilities should be recognised with regard to secondary contribution rates. We have reported our detailed review of the estimation process in the key judgements and estimates section on page 16. From our work, we have not identified any adjustments required to the financial statements.

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2. Financial Statements: new issues

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

Issue	Commentary	Auditor view
Double counting of property asset £11.110m	Upon testing the assets-under-construction balance, we observed that the Elm Park new building was completed, made operational in December 2023, and revalued as land and buildings. However, the costs were also erroneously recorded in the assets-under-construction closing balance.	An adjustment was required to reduce the assets under construction balance, with corresponding revaluation adjustment in the CIES. Refer to Appendix D- Audit Adjustments.
Misclassification of loss on derecognition of academy school assets £84.625m	The loss on disposal which relates to academy transfer of assets should be classified under other operating expenditure line in CIES and not under Financing and investment income and expenditure line, as per requirements of the CIPFA Code.	An adjustment was required to reclassify the loss on disposal from the 'financing and investment income and expenditure' line of the CIES, to the 'other operating expenditure line'. Refer to Appendix D- Audit Adjustments.
Incorrect accounting for upfront pensions payment £2.122m	The adjustment made by management to the pensions liability for the upfront payment to the pension fund in April 2023 was entered incorrectly.	An adjustment was required to increase the pension liability with corresponding charge to the cost of services. Refer to Appendix D- Audit Adjustments.
Accumulated absence accrual- over estimated £8.672m	Management originally calculated the 2023/24 accrual using leave balance data from the HR system as per our prior year recommendation. When testing the accrual, we noted that the data was flawed. Management recalculated the estimate for a sample of 100 employees using accurate leave data and applied the results to total pay. The revised estimate is £4.119m lower than the original estimate, totaling £4.553m.	We have tested management's revised estimate and compared the result to comparable local government employers and found it to be reasonable. An audit adjustment of £4.119m is required to reduce creditors and net expenditure. Refer to Appendix D- Audit Adjustments. Management propose not to adjust for this error on the basis of immateriality. Refer to Appendix B- Action Plan for control recommendations made.

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2. Financial Statements: new issues

Issue	Commentary	Auditor view
Debtors sample error £1.517m	In our testing of a sample of debtor balances we noted an amount of £1.517m which was subsequently reversed in 2024/25 as no monies were owed. We have made inquiries about the possible extent of this error type within the debtors balance and we are awaiting management's assessment.	Further testing of the debtors balance is required. The extent of this will be dependant on management's responses regarding the extent of the error which we are awaiting at the time of writing this report. Refer to Appendix D- Audit Adjustments. Management propose not to adjust for this error on the basis of immateriality
Creditor incorrectly recorded as a reduction to debtors £2.305m	In our testing of a sample of credits to the debtor balance we noted an amount of £2.305m relating to section 31 grants which should have instead been classified as a creditor balance.	As the item was found as part of our sample, we projected the sample error across the population to determine the impact at account balance level. The projected misstatement is £4.016m. Refer to Appendix D- Audit Adjustments. Management propose not to adjust for this error on the basis of immateriality
Grants received in advance overstated for monies not received before the balance sheet date. £2.536m	In our testing of a sample of grants received in advance we noted an amount of £2.536m relating to section 106 monies which were not received until after the balance sheet date. This disqualifies them from being classified as receipts in advance.	We reviewed the transaction population of similar items to determine the maximum possible extent of the error, which we determined to be £3.069m. We report this as a potential misstatement. Refer to Appendix D- Audit Adjustments. Management propose not to adjust for this error on the basis of immateriality
Other disclosure issues and control issues	Further disclosure issues have been identified and discussed with management. These are listed in Appendix D along with management responses. Further control issues have been identified. These are listed in the action plan in Appendix B with management responses.	

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2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £556.373m	Land and buildings comprises of £425.941m specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings, £105.504m, are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Surplus assets, £24.965m, are required to be valued at fair value. The Council has engaged with its internal valuers and Avison Young as its external valuer, to complete the valuation of properties as at 31 March 2024 on a five yearly cyclical basis. 93% of total assets (by value) were revalued during 2023/24. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2024. Management have concluded that there has not been a material movement in the value of these properties. The total year end valuation of other land and buildings and surplus assets was £556.373m, a net decrease of £44.244m from 2022/23 (£600.617m).	Our work included: • assessing the valuers' experience, competence and professional qualifications; • review of the completeness and accuracy of the underlying information used to determine the estimate, including information shared with the valuer and the comparison and re-calculation of valuation figures using recognised indices to determine specific asset valuations that warrant further review; • review and challenge of the inputs including assumptions applied in the valuation to ensure that these appeared to be reasonable and appropriate based upon source data or other evidence. • engaging our own expert valuer in this process to challenge the approach of management's valuer and assist with queries relating to specific assets; • understanding and evaluating reasons for any significant changes in valuation approach; • assessing the adequacy of disclosures of the estimate in the financial statements.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

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2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £80.286m</td>
<td>The Council's net pension liability at 31 March 2024 is £80.286m (PY £124.919m) comprising the Avon Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £44.633m net reduction in the liability in 2023/24.</td>
<td>In assessing the estimate, we have considered the following:

the actuary's experience, competence and professional qualifications;
the actuary's approach, through the use of PwC as an auditor's expert, used to assess the methods and assumptions used. All assumptions were within the acceptable range determined by PwC as summarised below:

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.90%</td><td>4.90%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>2.70%</td><td>2.60 -2.70%</td><td>●</td></tr>
<tr><td>Salary growth</td><td>1.50% above CPI</td><td>1.25 – 1.50% above CPI</td><td>●</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>23.3 / 22.0</td><td>22.0-23.5 / 20.7 – 22.2</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>25.8 / 24.1</td><td>25.0 – 26.2 / 23.2 – 24.4</td><td>●</td></tr>
</table>

the completeness and accuracy of the underlying information used to determine the estimate, by comparing it to source records and other data provided through the audit;
ensuring consistency between different parts of the valuation through analytical review;
the assurances provided by the auditor of Avon Pension Fund over the processes and controls in place at the Fund over the information provided to the actuary; and
the adequacy of disclosure of estimates in the financial statements, in line with the CIPFA Code.

</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

Assessment

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

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2. Financial Statements: Information Technology

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

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks	Additional procedures carried out to address risks arising from our findings
Civica financial	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Management override of controls.	Refer to page 10 for journal control findings and procedures, and to Appendix B for recommendations.
ResourceLink.	ITGC assessment (design, implementation and operating effectiveness)	●	●	●	●	Valuation of pension fund net liability	N/A
CIPFA Asset Manager	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Valuation of land and buildings	N/A

Assessment

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

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2. Financial Statements: Information Technology

We also performed specific procedures in relation to the new system implementation of Microsoft Dynamics 365. Whilst this system is live from 2024/25 financial year, we reviewed the implementation as part of our 2023/24 audit risk assessment. We observed the following results:

Event	Area	Result	Findings	Related significant risks
New system implementation Microsoft Dynamics 365	Governance	● (green)	We concluded that there was appropriate governance over the implementation of Microsoft Dynamics 365.	Management override of controls.
	Trial balance migration	● (grey)	We were unable to test the completeness and accuracy of trial balance migration since the balances were yet to be migrated to the new system at the time of our review.	Management override of controls.
	Privilege Access	● (amber)	We noted that privilege access in Microsoft Dynamics 365 has been assigned to a number of accounts. In this regard, we recommend the following as an improvement opportunity : • Privilege access should be restricted to limited number of users • Privilege access assigned to the third-party consultants should be revoked after hypercare • Management should implement a process to periodically review privilege access and monitor activity for privilege accounts. These recommendations are included in the action plan in Appendix B.	Management override of controls.

Assessment

- ● (red) Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● (amber) Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● (green) IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● (grey) Not in scope for testing

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2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Accounts Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and treasury partners. This permission was granted and the requests were sent and confirmations received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations	All information and explanations requested from management were provided.

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2. Financial Statements: other communication requirements

Our responsibility

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

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

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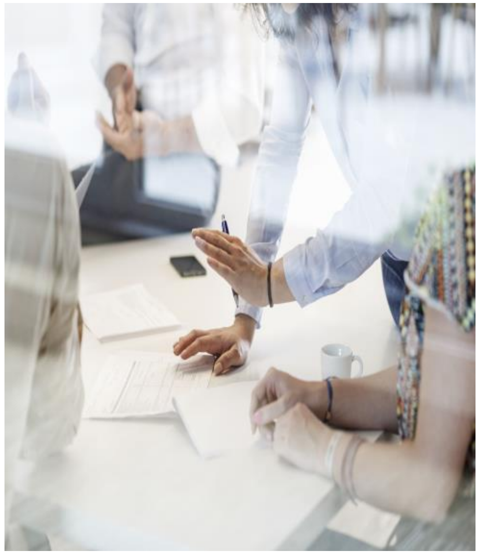
2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We have nothing to report in this regard.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weaknesses. We report one significant weakness in respect of the Council's arrangements to secure value for money. Refer to page 23.
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. We note that work is not required as the Authority does not exceed the specified group reporting threshold of £2 billion.
Certification of the closure of the audit	We cannot formally conclude the audit and issue an audit certificate for South Gloucestershire Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.



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3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

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3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The significant weakness we identified is detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix G.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Procurement arrangements	Our inquiries and inspection of documents resulted in the following findings: In March 2023 the Head of Procurement left the Authority and was not replaced, leading to a lack of capacity in the service. During the 2023/24 financial year, we have identified weaknesses in the Authority's arrangements relating to procurement across a number of areas, including review of the Procurement Strategy, waiver monitoring and reporting, general procurement reporting, and procurement checks on contracts.	Significant weakness identified- procurement	We issued a key recommendation: The Council needs to significantly improve its procurement arrangements by ensuring it has sufficient capacity to ensure robust controls are in place to demonstrate financial and procurement decision-making and achievement of value for money.

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4. Independence and ethics

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, and managers). In this context, we have nothing to disclose to you.

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

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

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council 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 or investments in the Council held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, members, senior management or staff.

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

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4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

<table>
<tr><th>Service</th><th></th><th>Fees £</th><th></th><th>Threats identified</th><th>Safeguards</th></tr>
<tr><td>Audit related</td><td>21/22</td><td>22/23</td><td>23/24</td><td></td><td></td></tr>
<tr><td>Certification of housing benefit subsidy claim</td><td>£36,000
(TBC)</td><td>£43,000
(TBC)</td><td>£47,400
(TBC)</td><td rowspan="2">Self-Interest (because this is a recurring fee)
Self review (because GT provides audit services)
Management</td><td rowspan="2">The level of this recurring fee taken on its own is not considered a significant threat to independence as the fees for these pieces of work are 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.
Factors that mitigate against the self review threat are: the timing of certification work is done after the audit has completed where possible; the immateriality of the amounts involved to our opinion; the 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.
The scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follows. Our teams perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.</td></tr>
<tr><td>Certification of teachers pension return</td><td>Work completed prior to 1 April 2023</td><td>£10,000</td><td>£12,500</td></tr>
</table>

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Accounts Committee.

None of the services provided are subject to contingent fees.

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Appendices

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A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

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B. Action Plan – Audit of Financial Statements

We have identified ten recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 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
●	**Financial systems team has Civica admin access** The financial systems team has Civica admin access, which, when combined with financial privileges, poses a risk of bypassing system-enforced internal controls. This could result in unauthorised changes to system parameters, creation of unauthorised accounts, and unauthorised updates to user account privileges. There were ten users with this level of access.	We recommend that the financial system team should not have Civica admin access, and the admin access should be restricted to the IT team. **Management response** The financial systems teams' access is based on what was required to maintain the Civica system and to investigate issues. This would be impossible with only admin access or only financial privileges, both are required to provide effective support for the system. The officers on the team are not front end finance users of the system. Any changes made are as a result of requests from authorised users as per agreed procedures, in order to maintain the system or to resolve an issue. The Civica system has been replaced by D365 since April 24 and the financial system team only retain access to support any queries. From April 25 if we retain Civica it would be on a read only basis.
●	**Lack of Approval of Civica journals** Journals are posted to the ledger without authorisation, creating a risk of fraudulent and erroneous entries. Prior audit reports have highlighted this control weakness.	We recommend that the Council implement a formal journals approval process where point of entry controls are established. **Management response** Following the implementation of D365 journal approval by departmental accountants is now required for all journals over £500k and for all accrual journal types.
●	**Lack of locking control in Civica for non-current periods** Users can back-post journals to previous months or forward-post journals to future months within the financial year, posing a risk of fraudulent and erroneous entries. We included these journals in our assessment of unusual journals for testing and found no issues to report.	We recommend that a preventive control is introduced such that back- and forward-postings are not permitted. **Management response** Period closure was initially considered as part of the D365 implementation and whilst this has not yet been introduced, it will be considered again once the system and new process have been bedded in. Cumulative budgets continue to monitored by both budget holders and by finance which reduced the risk of erroneous errors.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Senior officer have access to post journals** Senior officers have access to post journals, posing a risk of fraudulent entries.	Senior officers should not require access to post journals as it is incompatible with their role. We recommend the access is removed. **Management response** Standard access controls in D365 would prevent the removal of journal access controls from specific users. Doing so would revoke all system access for that user. However new user profiles are currently being explored
Medium	**Access privileges in Microsoft Dynamics 365** We noted that privileged access in Microsoft Dynamics 365 has been assigned to a number of accounts. Privileged access can be an enabler for fraudulent activity.	We recommend the following as an improvement opportunity : • Privilege access should be restricted to limited number of users • Privilege access assigned to the third-party consultants should be revoked after hypercare • Management should implement a process to periodically review privilege access and monitor activity for privilege accounts. **Management response** Privilege access is restricted in D365; a limited number of people have the full System Administrator role; the Financial Systems team have a bespoke Finance Admin role to allow them to maintain and investigate issues, but it is not full System Administrator.
Medium	**Retention of records relating to floor areas underpinning property valuations** We noted that for a small number of our sampled land and buildings valuations, adjustments were made to gross internal areas. We found that management did not have readily-available supporting records to substantiate the adjustments.	We recommend record-keeping is improved to support floor areas which underpin property valuations. **Management response** We will review procedures to best consider the recommendations

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	**Accumulated absence accrual- inaccurate/incomplete leave data held** We identified that the data underpinning the annual leave accrual was inaccurate/incomplete resulting in management re-estimating the accrual with a £4.1m difference in result.	Our recommendation is for management to enhance controls covering data accuracy and completeness in the HR system's recording of year-end outstanding annual leave balances, ensuring a reliable dataset for accurate absence accrual calculation. **Management response** The implementation of D365 will have the ability to report on leave balances, with leave years moving in line with the financial year and away from the current policy. Sampling will be undertaken at the end of the 2024/25 financial year to ensure sufficient records are available on which to base an accrual in the absence of any available reports following the initial implementation.
●	**Depreciation UEL** a) The council should include a policy for the depreciation of components within buildings. Components make up 75% (£102m) of total PVE GCA B/F. b) We have noted that the UEL's in the CIPFA asset register are not reviewed for accuracy, and there were errors in the UEL's recorded.	We recommend that the council include a component depreciation policy within their financial statements. We recommend the council reviews the inputs and UEL's in their CIPFA asset register each year to ensure they are correct and that differences don't cause any errors. **Management response** A depreciation policy for component assets will be included in the 24/25 statements of accounts as recommended. Project managers will also be asked to review asset lives as part of future close downs and form part of the processes associated with updating the asset register
●	**Partnership Register** We have noted that the Partnership register for the council has not been updated for a few years and will require updating. This is an important document which details the Council's accounting judgements for its partner organisations, including whether group accounts ought to be prepared.	We recommend that management review and update the partnership register annually as a minimum. **Management response** Arrangements will be made for an annual update of the partnership register as recommended, commencing in 2025/26.
●	**Better care fund S75 agreement** Management were unable to provide us with a S75 signed agreement.	We recommend management obtain a signed S75 agreement for pooled funds. **Management response** The Better Care Fund s75 agreement has now been fully signed.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

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C. Follow up of prior year recommendations

We identified the following issues in the audit of South Gloucestershire Council's 2022/23 financial statements, which resulted in seven recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations and note five are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Bank Reconciliation** We noted six transactions which had been included as reconciling items within the bank reconciliation but had already cleared. The total impact of double counting these was trivial at £172k.	We have not identified any similar issues in our audit of the 2023/24 bank reconciliations and are therefore satisfied management have rectified the issue.
X	**Journal Approval** There is no approval process for posting journals which presents an opportunity for fraudulent postings.	This remains to be an issue in 2023/24. We have raised this recommendation again in Appendix B.
X	**Internal Recharges** Management were unable to clearly identify internal recharges in order to remove these items from the population for testing for fees, charges and other income, resulting in the re-selection of a number of sample items.	Management have confirmed they will be reviewing internal recharges as part of its migration to Microsoft D365 in April 2024.
X	**Bank Accounts** During the audit, the engagement team noted a number of bank accounts which were not disclosed within the financial statements. We have reviewed the bank statements throughout the year and noted no significant transactions. The total held in these accounts are trivial at £2k.	In the 2023/24 audit we have noted that there continues to be three omitted bank accounts. The balance on the accounts remains to be £2k and we have confirmed to bank statements that there has been insignificant activity on the accounts during the year. We recommend that either this bank account is included within the accounting system and therefore the financial statements, or that the accounts are closed with the funds being transferred to one of the Council's active accounts..

Continued overleaf.

Assessment

✓ Action completed

X Not yet addressed

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C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Accumulated Absence Accrual** We reviewed the process for the calculation of the accumulated absence accrual, i.e. 'holiday pay accrual', which totalled £5.2m in 2022/23. Management have calculated this balance using two percentages applied to total salaries for teaching and non-teaching staff. The percentages applied were initially calculated in the 2011/12 financial period and have been applied since that point, on the basis that the Council's leave policy has not significantly changed in that time. We recommended that actual HR data is incorporated into the calculation of the accrual each year to ensure that the figure reflects the actual position of unpaid holiday at year end.	Management originally calculated the 2023/24 accrual using data from the HR system per our prior year recommendation. When testing the accrual we noted that the data was flawed- refer to page 14. We have made further recommendations in Appendix B in relation to this issue.
✓	**Administrative Uplift on Assets** During our work on tangible fixed asset additions, we noted that management apply an 18% uplift on internally generated assets. This is to reflect staff time which has been spent on these assets, but not directly charged. Per the CIPFA guidance on capital accounting: "*Recharges are capitalisable only if they can be traced back to activity on the asset – general overhead costs cannot be apportioned out to assets.*" As such, the approach taken by management is not in line with CIPFA.	Management have confirmed that those affected recharges to the capital programme that were not evidenced back to supporting time keeping records were reversed back to revenue in 2023/24. We have not identified any similar issues in 2023/24.

Assessment

✓ Action completed

X Not yet addressed

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D. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
Dr. Revaluation increases in the cost of services Dr. Revaluation increases in the revaluation reserve (OCI) Cr. Property, plant and equipment *Double counting of property asset*	723 10,387	(11,110)	11,100	Nil (impacts unusable capital reserves)
Dr. Other operating expenditure Cr. Financing and investment income and expenditure *Misclassified loss on derecognition of academy school assets*	84,625 (84,625)	Nil	Nil	Nil
Dr Cost of services Cr. Pension Liability *Incorrect accounting for upfront pensions payment*	2,122	(2,122)	2,122	Nil (impacts unusable pensions reserve)
Overall impact	£13,232 Increase in total comprehensive expenditure	(£13,232) decrease in net assets	£13,232 Increase in net expenditure	£Nil Impact on general fund

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D. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 7: Expenditure & Funding analysis We noted a casting error in the Net Cost of Services line, where totals reported were miscalculated.	We recommended that management adjust the totals reported. Management response Agreed by management	✓
Note 11: Property, Plant & Equipment We noted that the Service Concessions Assets values included in Property, Plant & Equipment has been copied from PY and has not been updated by the client in the accounts.	We recommended that management update the analysis using 2023/24 figures.	✓
Note 11: Property, Plant & Equipment: Schedule of Asset Revaluations by Year We noted that this analysis showed fewer assets valued in the current year than has actually taken place.	We recommended that management update the analysis to reflect accurate years of last valuation. Management response Agreed by management	✓
Note 15 Creditors and Note 16: Debtors The allocation of creditors and debtors to the various classifications in the respective disclosure notes had not been carried out in the draft accounts.	We recommended that management carry out the analysis and update the disclosure note. Management response Agreed by management	✓

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D. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 31: Leases - the council as lessor We have noted a prior period omission in the leases note for Kings Chase Shopping Centre - shops and units - amounting to £6.8m. We have confirmed the correct treatment has been applied in 2023/24. This is a disclosure error in 2022/23 and there is no other impact on financials. As the error is not material, a prior period adjustment is not required.	No disclosure amendments required. We recommended that management note the cause of the error in 2022/23 to ensure future omissions do not occur.	N/A
Note 36: Contingent Liability We noted that a contingent liability for a pension guarantee exists. The estimated cost is £2,212k.	Immaterial, but management have elected to disclose.	✓
Note 38 Nature and extent of risk arising from financial instruments: Market Risk The interest rate sensitivity table has incorrect casting, such that the line 'Impact on Surplus or Deficit on the Provision of Services' for 31 March 2024 was understated by £0.568m	We recommended that management update affected line. Management response Agreed by management	✓
Various Disclosure Misstatements We have noted errors in several other notes to the accounts which mainly consist of administrative errors such as casting errors or errors in tables, rather than the underlying accounting treatment. These are not individually large enough to warrant separate reporting.	Management have adjusted these items to bring disclosures in line with CIPFA code, in all material respects. Management response Agreed by management	✓

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D. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Critical Judgement regarding classification as investment property We challenged management as to whether the Bristol and Bath Science Park was correct to be classified as investment property. We are satisfied with management's response in terms of classification of the Science Park. However, we consider this to be a critical judgement.	We recommended management include a sentence within Note 3 Critical judgements in applying accounting policies, to reference this judgement.	✓
Note 25: Officers' remuneration We noted that the Interim Service Director- Finance and Chief Financial Officer's remuneration was actually made up of costs to an agency rather than direct remuneration to the individual.	We recommended that this is clearly disclosed in note 25.	✓
Note 36 Contingent liabilities We noted an undisclosed pension guarantee for estimated value £2m.	We recommended that management update the contingent liabilities note.	✓
Note 11 Capital Committments We found that the total capital commitments disclosed were understated by £1.8m.	We recommended that management update the capital commitments disclosure.	✓
Note 15 Creditors Following management addressing the related adjustment on page 34, we found that the Other Trade Payables line was overstated by £39m with corresponding £39m understatement of the Other Local Authority payables line	We recommended that management further updates the creditors disclosure.	✓

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D. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 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	Reason for not adjusting
Dr. Creditors Cr. Cost of Services Accumulated absence accrual- over estimated	(4,119)	4,119	(4,119)	Nil (impacts unusable accumulated absences reserve)	Not material
Dr. Grant Receipts in Advance Cr. Debtors Debtors balance subsequently reversed		1,517 (1,517)		Nil (no impact on reserves)	Not material
Dr. Debtors Cr. Creditors S31 grants incorrectly credited to debtors instead of creditors		4,016 (4,016)		Nil (no impact on reserves)	Not material
Dr. Grants received in Advance Cr. Debtors S106 grants received in advance not received in advance of balance sheet date		3,069 (3,069)		Nil (no impact on reserves)	Not material
Overall impact	(£4,119) Decrease in total comprehensive expenditure	£4,119 Increase in net assets	(£4,119) Decrease in net expenditure	Nil Impact on General Fund	

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D. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements, and their impact on the 2023/24 accounts.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Dr. Return on pension assets (within Other Comprehensive Income) Estimation differences in the valuation of level 3 investments at Avon Pension Fund	2,238	Nil	2,238	Nil	Estimation difference within the pension fund. Management do not have control over these estimations.
Cr. Assets under construction 'Abortive costs' identified within the assets under construction (AUC) balance at year-end.	Nil	(727)	Nil	Nil	Low value of error – not considered significant by management
Dr Other Comprehensive Income Asset became operational on 31 March 22, held at historical costs missed to be revalued	1,300	Nil	1,300	Nil	Low value of error – not considered significant by management
Cr Cost of services - Place The engagement team noted an 18% uplift to internally generated capital additions where there had been costs recharged to capital additions. This approach is not in line with CIPFA guidance. Management have performed an exercise to directly recharge respective staff member time but this does not equate to total charged value.	(1,081)	Nil	(1,081)	Nil	The total value of the adjustment is immaterial
Overall impact	£2,457 Increase in total comprehensive expenditure	(£727) Decrease in net assets	£2,457 Increase in net expenditure	Nil Impact on general fund	

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E. Fees and non-audit services

We confirm below our final fees charged for the audit and for provision of non-audit services.

Audit fees	Proposed fee	Final fee
Scale fee	£349,791	£349,791
ISA 315	£12,550	£12,550
PPE valuation – appointment of auditor's expert	£5,000	*£5,000
Total audit fees (excluding VAT)	**£367,341**	**£367,341**

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Teachers' Pensions certification 23/24	12,500	TBC
Housing Benefit Subsidy certification 23/24	47,400	TBC
Total non-audit fees (excluding VAT)	**£59,900**	**TBC**

Total audit and non-audit fee	
(Audit Fee) £367,341	(Non Audit Fee) £59,900

The audit fees and non audit fees reconcile to the final set of financial statements following minor adjustments made by management.

* The fee for PPE valuation – appointment of auditor's expert is not yet confirmed as finalised.

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

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

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