The Audit Findings for South Gloucestershire Council

Year ended 31 March 2023

30 January 2024

Contents

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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.

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

Laurelin Griffiths
For Grant Thornton UK LLP
30 January 2024

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 2023 for the attention of those charged with governance.

Financial Statements

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

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

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

Our audit work was substantially completed remotely during July 2023 – January 2024. Our findings are summarised on pages 28 to 37. We have identified several adjustments to the financial statements that have resulted in a £10.7m adjustment to the Council's General Fund. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix D.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the outstanding matters on page 6.

Our anticipated audit report opinion will be unmodified. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

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, our detailed commentary is set out in the separate Auditor's Annual Report, which was presented at the November Accounts & Audit Committee. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

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

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

We would like to thank everyone at the Council for their support in working with us to progress the audit towards completion.

National context – level of borrowing

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

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. There were no significant weaknesses noted in relation to the level of borrowing at the Council within the VFM. Borrowing levels have remained broadly consistent at the Council over the last several years.

2. Financial Statements

Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) 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, subject to the following outstanding areas:

- conclusion of our work on significant risk areas:
  - management override of controls (journal entries); and
- Conclusion of our residual queries across other areas of the audit, including:
  - income and expenditure items (expenditure cut-off)
  - other disclosures (bad debt provision)
- completion of final quality reviews by the audit manager and engagement lead;
- receipt of management representation letter; and
- receipt and review of the final set of financial statements.

Acknowledgements

We would like to thank the South Gloucestershire Council team, particularly the finance team, who have assisted with our audit work and enquiries and been receptive to challenge and recommendations throughout the audit process. We look forward to continuing this constructive relationship through to the successful completion of the audit.

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 in July 2023.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	10,200,000	Materiality is calculated as approximately 1.3% of gross assets per the draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.
Performance materiality	7,140,000	Based on the internal control environment at the Council we determined an initial performance materiality at 70% of headline materiality.
Trivial matters	510,000	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Committee.
Materiality for senior officers' remuneration	100,000	We deem senior officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality of £100k based on the remuneration disclosure.

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatements	Our work on management override of controls, specifically around journal entries, is substantially complete. We have: • evaluated the design effectiveness of controls over journal entries by performing a walkthrough of the process; • determined the criteria for selecting high risk unusual journals to test. • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. • partially completed our testing on journal entries by agreeing to supporting evidence. At the date of this report, the following is outstanding: • conclusion on the remainder of the journal sample items. We have noted a controls deficiency in relation to journal entries: • journals can be posted and authorised by the same member of staff. We consider that this weakens the control environment due to the lack of segregation of duties. • as previously reported in prior audit reports, we have noted users with ‘superuser’ access. This allows changes to be made to financial systems without authorisation. We have performed specific procedures around journal entries processed by these users.
Improper revenue recognition Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because: There is little incentive to manipulate revenue and expenditure recognition; • Opportunities to manipulate revenue and expenditure recognition are very limited; and • The culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable. Therefore, at the planning stage we did not consider this to be a significant risk for the Council. We have continued our risk assessment throughout the audit and have not identified any circumstances indicating a requirement to alter this decision.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land & buildings and surplus assets 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.	Our work on the valuation of land & buildings and surplus assets has been completed. We have: • evaluated management's processes, 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; • reviewed the contents of the valuation report with the assistance of auditor's expert and assessed consistency with the financial statements; • selected and tested a sample of revaluations in-year to test the accounting treatment, re-perform the valuation calculations and assess assumptions made by management and the valuer; and • challenged the Council's internal and external valuers to support key assumptions used within the valuations. Our work has challenged the Council and the Council's expert, Avison Young, regarding the key assumptions used within their valuations. This includes, but is not limited to: floor areas, land values, valuation methodology, market values and yields for non-specialised assets. Our audit work to date has not identified any significant issues in respect of valuation of land and buildings.
Valuation of Investment Property The authority revalue its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.	Our work on investment properties is in line with the work performed on land & buildings and surplus assets. In addition to the work performed above, we have: • Tested rental values and reversionary rates used in the investment property valuations to supporting evidence. In line with the testing performed on land and building valuations, we have challenged Council's external expert involved in the valuation of investment properties, Avison Young. We have sought supporting evidence for factual data used within the valuation and reviewed assumptions used in non-factual data, for example, reversionary rental values. Our audit work has not identified any issues in respect of valuation of investment Property.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability 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 (£106m of the total £125m relates to LGPS in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). 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. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.5% change in discount rate and 0.25% change in inflation would have approximately 67% and 36% effect on the liability, respectively. 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. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	Our work on the valuation of the pension fund net liability is complete. We have: • updated our understanding of the processes and controls. • evaluated the instructions issued by management to Hymans Robertson LLP 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; • reviewed data sent to the actuary to ensure consistency and completeness; • tested the consistency of the pension liability disclosures with the actuarial report; • undertaken procedures to assess the reasonableness of the actuarial assumptions made, with reference to our auditor's expert • received assurance from the auditor of Avon Pension Fund based on specific requested procedures; and • performed analytical reviews of movements in the pension fund assets and liabilities and verified movement. Our challenges to the Council, Pension Fund and actuary have been sufficiently answered and supported with appropriate evidence. The auditors of the Avon Pension Fund have noted an unadjusted misstatement of £14.57m within the valuation of pension assets. The Council's share of assets within the pension fund is 15.36% which results in an impact of £2.24m on the Council. This is a non-trivial misstatement and is reported within the unadjusted misstatements section.

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 Draft: £593m Final: £593m	Land and buildings comprises of 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 are non-specialised and are required to be valued at existing use in value (EUV) at year end. The Council has engaged with their internal and external valuers, Avison Young, to complete the valuation of properties as at 31 March 2023, with the full portfolio valued on a cyclical basis. 94% of total eligible assets were revalued in 2022/23. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2023. Management have concluded that there has not been a material movement in the value of these properties. The total year end valuation of land and buildings was £593m, a net increase of £24m from 2021/22 (£569m).	We have reviewed the detail of your assessment of the estimate, considering the revised requirements of ISA 540. Our work included: • an assessment of the management's expert, Avison Young, who we found to have sufficient experience 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 national indices to determine specific asset valuations that warrant further review; • review and challenge of the inputs and assumptions applied in the valuation to ensure that these appeared to be reasonable and appropriate based upon source data or other corroborative evidence; • engaging our own expert valuer in this process to challenge the valuer's approach and queries relating to specific assets; • highlighting assets where there has been a change in valuation approach; and • an assessment of the adequacy of disclosure of the estimate in the financial statements.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation Draft: £64m Final: £64m	The Council have significant investment properties, which are required to be revalued annually. The Council has engaged with their internal and external valuers to complete the valuation of all investment properties as at 31 March 2023. The total year end valuation of investment property was £64m, a net decrease of £7m from 2021/22 (£71m).	We have reviewed the detail of your assessment of the estimate, considering the revised requirements of ISA 540. Our work included: • an assessment of the management's expert, who we found to have relevant experience and professional qualifications; • review of the completeness and accuracy of the underlying information used to determine the estimate, including the re-calculation of valuation figures using national indices to determine specific asset valuations that warrant further review; • review and challenge of the inputs and assumptions applied in the valuation to ensure that these appeared to be reasonable and appropriate based upon source data or other corroborative evidence; • engaging our own expert valuer in this process; • assessing the impact of any changes to valuation method; and • an assessment of the adequacy of disclosure of the estimate in the financial statements. We have identified no significant issues within our testing of Investment Properties.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability Draft: £124.9m Final: £124.9m	The Authority's net pension fund liability represents a significant estimate in the Authority's financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£124.9m liability at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme held under the Avon Pension Fund. A full actuarial valuation is required every three years and was last conducted at 31 March 2022. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. Management have accepted the use of the standard assumptions provided by the actuary for this valuation.	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; • 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; • consistency between different parts of the valuation to ensure through analytical reviews; • 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 disclosures of estimates in the financial statements in line the CIPFA code. We did not identify any material issues arising as a result of this estimation uncertainty.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £4.4m, a net increase of £2.6m from 2021/22.	An issue was noted in the 21/22 financial audit around management's calculation of MRP, specifically the use of capital receipts within the calculation. In 2022/23, management have corrected their approach to exclude capital receipts. In assessing the estimate, we have: • reviewed the Council's MRP policy to ensure that it is in line with statutory guidance and has been communicated to those charged with governance; • Reviewed the Council's calculation of MRP to confirm that it has been calculated in line with the statutory guidance. Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements: 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.	N/A
ResourceLink	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	🟢	🟢	Defined benefit pension liability.	N/A
CIPFA Asset Manager	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	🟢	🟢	Revaluation of Land and Buildings & Investment Property.	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

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 Committee. We have not been made aware of any other 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 shared with management. This is to be signed alongside the financial statements.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banks which the Council hold funds in. This permission was granted and the requests were sent. All confirmations received from the relevant parties.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. As noted in our progress report at September 2023, we noted errors in a number of the notes to the accounts. These errors mainly consist of administrative errors such as casting errors or errors in tables rather than the underlying accounting treatment. We recognise that management produced accounts within the deadline, however we would recommend that more stringent quality control procedures are followed. Amendments to the financial statements are reported in appendix D.
Audit evidence and explanations/ significant difficulties	There have been some difficulties noted during the course of the audit in obtaining information in a timely manner. We deem that this is due to capacity pressures experienced by the wider finance team to respond to audit queries alongside their day-to-day responsibilities. The finance team have made a concerted effort despite capacity pressures and we thank them for their support during the audit.

2. Financial Statements: other communication requirements

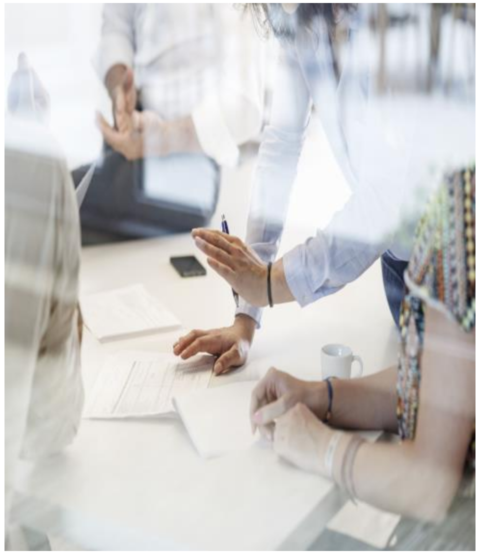
Our responsibility

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

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

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. This work is ongoing and will be completed following the conclusion of our other audit work.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. At the date of this report, we have nothing to report in relation to the above.
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. Note that work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of South Gloucestershire Council in the audit report upon the conclusion of the outstanding matters detailed on page 6.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

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

The Annual Auditors Report detailing the procedures performed and our conclusions was presented to the November Audit Committee. This report will be finalised at the point that we issue our audit opinion.

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

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix 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.

4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Included in 22/23 Accounts	Threats identified	Safeguards
Audit related				
Certification of Teachers Pension Return 20/21	£6,000	No – 20/21 fee.	Self-Interest, Self-Review, Management	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 £6,000 in comparison to the total fee for the audit of £160,359 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 threats 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. The scope of this work does not include making decisions on behalf of management and management make their own decisions in respect of errors.
Certification of Teachers Pension Return 21/22	£7,500	Partially. £2.5k under-accrual in 21/22.	Self-Interest, Self-Review, Management	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 £7,500 in comparison to the total fee for the audit of £160,359 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 threats 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. The scope of this work does not include making decisions on behalf of management and management make their own decisions in respect of errors.
Certification of Teachers Pension Return 22/23	£10,000	Yes – proposed but not final.	Self-Interest, Self-Review, Management	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 £10,000 in comparison to the total fee for the audit of £160,359 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 threats to an acceptable level. To mitigate against the self-review threat, this work is being conducted by a separate team which does not run concurrently with the external audit and this work does not factor into the external audit procedures so no reliance on the work performed. The scope of this work does not include making decisions on behalf of management and management make their own decisions in respect of errors.

4. Independence and ethics

Audit and non-audit services (continued)

Service	Fees £	Included in 22/23 Accounts	Threats identified	Safeguards
Audit related				
Certification of Housing Benefit 21/22	£36,000	No – PY fee.	Self-Interest, Self-Review, Management	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 £36,000 in 21/22 in comparison to the total fee for the audit of £160,359 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 threats 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.
Certification of Housing Benefit 22/23	£36,000 (estimate)	Yes – estimated.	Self-Interest, Self-Review, Management	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 £36,000 in 22/23 in comparison to the total fee for the audit of £160,359 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 threats 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. This fee has been estimated within the financial statements based on the 21/22 fee, as the work has not yet been started.

4. Independence and ethics

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the 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, a member of the Council, 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.

Appendices

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

We have identified six 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 2023/24 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
● (Medium)	**Bank Reconciliation** During our work on the bank reconciliation at year end, we noted six transactions which had been included as reconciling items within the bank reconciliation but had already cleared. The effect of this is double counting of transactions within the financial statements. The total impact was trivial at £172k.	We recommend that a more thorough review of the bank reconciliation is performed at year end to ensure that items are not double counted. **Management response** Procedures have been amended to ensure that the correct transaction date is used for the cash in transit journal, and the reconciliations have been reviewed to avoid any similar issues in future.
● (Medium)	**Journal Approval** As we have reported in previous audit reports, there is no approval process for posting journals. Although there are some controls in place to minimise the risks associated with this, there are no preventative, point of entry controls which presents an opportunity for fraudulent postings.	We recommend that the Council implement a formal journals approval process where point of entry controls are established. We are aware that management are considering journal controls in advance of the implementation of the new accounting system. **Management response** The Council are currently in the process of reviewing the journal approval procedures as part of the implementation of Microsoft Dynamics in April 2024.
● (Medium)	**Internal Recharges** During the testing of revenue items, management were unable to clearly identify internal recharges in order to remove these items from the population for testing. This resulted in the reselection of a number of sample items.	We recommend that internal recharges are clearly identified within the finance system. We appreciate that this may not fully actionable until the 24/25 financial period where the Council transfers to the new accounting software. **Management response** The Council are currently in the process of reviewing the internal recharges procedures as part of the implementation of Microsoft Dynamics in April 2024.
● (Medium)	**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.	We recommend that either these bank accounts are included within the accounting system and therefore the financial statements or these accounts are closed with the funds being transferred to one of the Council's active accounts. **Management response** Accepted – this will be reviewed.

Controls

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

B. Action Plan – Audit of Financial Statements *(cont.)*

Assessment	Issue and risk	Recommendations
●	**Accumulated Absence Accrual** As part of our testing of creditor balances, we have reviewed the process for the calculation of the accumulated absence accrual, i.e. 'holiday pay accrual', which totals £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 are satisfied that the impact of the potential misstatement is immaterial.	We recommend that actual HR data is incorporated into the calculation of the accumulated absence accrual each year to ensure that the figure reflects the actual position of unpaid holiday at year end. **Management response** We will determine the best way to update the calculation of the accumulated absences accrual to reflect the best available information.
●	**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 partially substantiated the total balance – see page 36 for unadjusted misstatement relating to this issue.	We recommend that a process is created to allow relevant staff members to directly charge their time to capital projects that they are working on if time is to be recharged to capital projects. **Management response** We will review the process for recharging staff time to capital.

Controls

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

C. Follow up of prior year recommendations

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

We note that management is planning to implement the recommendations upon the transfer to the new accounting software for the 24/25 financial year.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	There is no approval process for posting journals which presents an opportunity for fraudulent postings.	No formal journal approval process implemented.
X	The Council post a high volume of internal recharges. We consider that this increases the risk of error in the financial statements.	The volume of internal recharges remains high. In-year impact noted on the previous page.
TBC	The Council had a large value of debt over one year old that it has not provided for. The engagement team estimated that an additional credit loss allowance of £3.3m was warranted at 31 March 2022.	Work still ongoing.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on general fund £'000
Dr Long term loans £3,085k Cr Resource & Business Change - £3,085k As reported within our progress report in September 2023, we have noted two instances where loans to third parties have been recognised as REFCUS. As these amounts are expected to be repaid to the Council, this spend would not qualify as REFCUS and the loans should be recognised on the balance sheet. The total impact is an overstatement of REFCUS of £3.1m	(3,085)	3,085	-
Dr Dedicated schools grant adjustment account Cr General fund It has been noted that there is a non-trivial error within the accounting treatment of the Dedicated Schools Grant (DSG) in the current and prior year. This has been identified by the ESFA following the publication of the draft financial statements where the treatment of brought and carried forward balances is not correct. This error results in a £1.4m understatement on the DSG unusable reserve, with the opposite impact on the general fund.	nil	1,443 (1,443)	(1,443)

D. Audit Adjustments

Impact of adjusted misstatements (cont)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on general fund £'000
Dr Interest receivable and investment income Cr Resources & Business Change A classification error has been noted where 'contribution & reimbursement' income was included within interest income as opposed to Cost of Services. Impact is £1.385m in 22/23.	1,385 (1,385)	-	-
Dr Resources & Business Change (Gross Expenditure) Cr Resources & Business Change (Gross Income) A prepayment of £2.321m relating to housing benefit expenditure was included on the balance sheet at 31 March 2022 as the expenditure related to 22/23. However, this was not reversed in 22/23 and therefore no charge to expenditure during the year. The impact of this is a £2.321m understatement of both HB expenditure and the HB subsidy for 22/23.	2,321 (2,321)	-	-
Dr Debtors Dr Creditors CR Capital Grants CR Cost of Service – Admin Fee The engagement team have noted errors in the accounting treatment of CIL income. The Community Infrastructure Levy is a charge which can be levied by local authorities on new development in their area. The CIPFA code states that this income should be recognised at the commencement date of the project. However, the Council have been accounting for this as the payment falls due by the provider which results in a timing difference in the income recognised in the financial statements. The impact noted here is a cumulative impact which includes elements relating to 21/22 and before. The engagement team are satisfied that this does not result in a PPA as it is below materiality at £8.9m total impact.	 (8,223) (992)	7,262 1,953	(9,215)
Overall impact	(£12,300)	£12,300	(£10,658)

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?
Cash Flow Statement Capital creditors and debtors movements were initially misclassified as creditor and debtor movements within the Cash Flow Statement. These items should have been noted within 'Investing Activities'.	Management have adjusted these items to bring the disclosure in line with the CIPFA code. **Management response** Agreed by management. This was overlooked when the capital grants receipts in advance line was introduced on the Balance Sheet, as it had previously been included within creditors. The cash flow workings have now been corrected.	✓
Asset Misclassification An asset held within Assets Held for Sale at 31 March 2022 did not meet the tests for classification, as specified within the CIPFA code and IFRS 5, which results in a prior period adjustment of £12.8m.	Management have adjusted these items to bring the disclosure in line with the CIPFA code. **Management response** Agreed by management. This asset was classified in accordance with our understanding of the position at the time of preparing the 2021/22 accounts. It is planned to undertake greater scrutiny of such classifications in future.	✓
Note 4 – Estimation Uncertainty Our review of the disclosure of sources of estimation uncertainty identified that it did not meet the disclosure requirements specified by IAS 1.	Management have adjusted the relevant disclosure. We recommend that any future changes to the note are considered in line with IAS 1. **Management response** Agreed by management.	✓
Note 11 & 12 – Property, Plant & Equipment and Investment Properties Several administrative errors were noted within the PPE disclosure table such as rows/columns not casting with some numbers inadvertently excluded from the disclosure.	It is recommended that disclosures relating to PPE and Investment Property are reconciled with the Fixed Asset Register once prepared to ensure that all figures are captured accurately. **Management response** This would be our normal procedure. Although review time was planned, 2022/23 was an exceptional year for staff absences which impacted on normal review capacity.	✓

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 (cont.)

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 25 – Officers' Remuneration An omission of a senior officer who left the council mid-year was noted in the Senior Officer Remuneration disclosure. The Director for Public Health left in September 2022 but was not included within the disclosure. Updated table shows an additional row with total remuneration of £55k.	It is recommended that a review of senior officer positions is undertaken at year end to ensure that all disclosable employees are included in line with accounting standards. **Management response** Agreed by management.	✓
Note 35 – Defined Benefit Pension Schemes A disclosure error was identified within note 35 where the Council's disclosure did not agree to the actuarial report provided by Mercer at 31 March 2023 and was not consistent with the CIES and MiRS.	It is recommended that a reconciliation between the IAS19 report and note 35 to ensure accuracy of the disclosure. Further consistency checks to the primary statements are recommended. **Management response** Agreed by management.	✓
Various Disclosure Misstatements As noted in our progress update at September 2023, we have noted errors in a number of the notes to the accounts which mainly consist of administrative errors such as casting errors or errors in tables, rather than the underlying accounting treatment. Errors note have impacted many disclosures, including the following: debtors, audit fees, creditors & grant income.	Whilst we appreciate that the Council met the deadline to produce draft statutory accounts by the June deadline, it is recommended that more thorough quality checks are undertaken prior to submission. **Management response** Accepted by management – in 2022/23 quality checks were impacted by exceptional staff absences.	✓

D. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit 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 general fund £'000	Reason for not adjusting
Dr Pension assets (net pension liability) Cr Return on pension assets (within Other Comprehensive Income) The audit of the Avon Pension Fund has noted estimation differences in the valuation of level 3 investments which are estimated to be understated.	(2,238)	2,238	-	Estimation difference within the pension fund. Management do not have control over these estimations.
Dr Place Cr Assets Under Construction We have noted £727k of 'abortive costs' have been identified within the assets under construction (AUC) balance at year-end. These were identified by management after the year-end and the impact is an overstatement of AUC and an understatement of revenue expenditure of the same amount.	727	(727)	727	Low value of error – not considered significant by management.
Dr Property, Plant & Equipment Cr Other Comprehensive Income An asset held by SGC was classified as operational at 31 March 2022, but was held at historic cost, as highlighted in the prior period AFR. This asset was not revalued in the main tranche of revaluations which has been brought to management's attention. This has been subsequently revalued but management have opted not to adjust.	(1,300)	1,300	-	Low value of error – not considered significant by management
Dr Place Cr Property, Plant & Equipment 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	(1,081)	1,081	The total value of the adjustment is immaterial.
Overall impact	**(£1,730)**	**£1,730**	**£1,808**	

D. Audit Adjustments (cont.)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the current year and prior year audit which had not been made within the final set of 2021/22 financial statements and impact the **opening balance sheet** or CIES in the 2022/23 financial statements.

Detail	22/23 Comprehensive Income and Expenditure Statement £'000	Opening Balances - Statement of Financial Position £'000	Opening Balances - Impact on general fund £'000
Audit of the NDR Appeals Provision identified that there were elements of the balance that had been double counted.	(915)	915	915
Amendment to note 11 for reclassification of AUC. Asset moved to Land & Buildings but held at historic cost and no revaluation conducted. This asset has been revalued in 22/23 (see page 33) however management have opted not to adjust for the revalued amount. As such, the impact on the 22/23 CIES is of revaluation is detailed on page 33, and there is no impact to record here.	-	-	-
Under-provision of bad debt provision for both sundry debtors and NDR. Work around this balance is ongoing and the impact of the prior year misstatement will be reviewed upon completion.	3,656	(3,656)	(3,656)
Overall impact	**£2,741**	**(£2,741)**	**£2,741**

The total impact of unadjusted misstatements will be reviewed once audit work has been concluded.

E. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee published by PSAA 2022/23	£112,359	£112,359
Reduced materiality	£3,750	£3,750
Use of expert – PPE valuation	£5,000	£5,000
Value for Money audit – new NAO requirements	£20,000	£20,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£6,000	£6,000
Increased audit requirements of revised ISA 315	£5,000	£5,000
Enhanced audit procedures on journals testing	£3,000	£3,000
Infrastructure	£2,500	£2,500
Additional quality review procedures	£1,500	£1,500
Additional procedures on payroll	£500	£500
Additional procedures on Collection Fund	£750	£750
issues and delays in the 2022/23 audit	-	£12,750
Total audit fees (excluding VAT)	**£160,359**	**£173,109**

The 2022/23 audit has been over a significantly longer period than had been planned. The key issues noted during the audit were:

- Difficulty obtaining appropriate populations for testing, specifically on balance sheet items.
- Reselection of samples were required as we noted during testing that they contained mostly internal recharges.
- Insufficient evidence provided for some items resulting in the issuing of numerous queries back to Council.
- Additional work required, for example, Community Infrastructure Levy, asset administrative uplift.

E. Fees and non-audit services

Non-audit fees for other services – included in 22/23 Accounts	Proposed fee	Final fee
Audit Related Services		
Teachers' Pension 22/23	£10,000	TBC
Housing Benefit Subsidy Audit 22/23 (Estimated)	£36,000	TBC
Total non-audit fees (excluding VAT)	**£46,000**	**TBC**

Non-audit fees for other services – included in previous accounts	Proposed fee	Final fee
Audit Related Services		
Teachers' Pension 20/21	£6,000	£6,000
Teachers' Pension 21/22	£7,500	£7,500
Housing Benefit Subsidy Audit 21/22	£36,000	TBC
Total non-audit fees (excluding VAT)	**£49,500**	**TBC**

The fees payable to Grant Thornton do not reconcile to the financial statements. See below for reconciliation:

Fees per financial statements:
- External Audit - £171k
- Other Services - £49k

Reconciling Items:
- Under-accrual of additional audit fee 21/22 - £11k
- Under-accrual of TPS fee 21/22 - £2.5k

Total Fees:
- External Audit - £173k
- Other Services (as above) - £46k (note: HB 22/23, estimated fee £36k & TPS 22/23, fee of £10k)

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

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
A summary of the impact of the key changes on various aspects of the audit is included below:
These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

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

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