Grant Thornton

Audit Findings (ISA 260) Report for South Gloucestershire Council

Year ended 31 March 2025

9 January 2026

South Gloucestershire Council
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9 January 2026

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Dear Members of the Audit and Accounts Committee,

Audit Findings for South Gloucestershire Council for the year ended 31 March 2025

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 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 manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2024-.pdf (grantthornton.co.uk).

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

Helen Lillington

Director
For Grant Thornton UK LLP

Contents

1 Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of South Gloucestershire Council (the 'Council') and the preparation of the Council's financial statements for the year ended 31 March 2025 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 Authority's financial statements give a true and fair view of the financial position of the Authority 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 completed during July through to December. Our findings are summarised on pages 15 to 30. While we have identified material adjustments to the financial statements these have no impact on the level of the Council's usable reserves.

Audit adjustments are detailed in section 6. We have also raised recommendations for management as a result of our audit work. These are set out at pages 47 through to 58. Management have provided responses to all recommendations. Our follow up of recommendations from the prior year's audit are detailed from page 59.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion .

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. We anticipate signing your accounts shortly after the Audit and Accounts Committee meeting.

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 Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to Audit and Accounts Committee on 25th November 2025. 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 on page 67.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the 'Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

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

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

Significant matters

The audit was planned to be substantially complete by the end of September, however the implementation of the new financial system significantly impacted on the finance team's ability to be able to respond appropriately to audit requests for information, and as a result, a revised timeline was agreed for the end of December. While that has been achieved, additional audit resource was required, and a fee variation has been proposed. We have raised a large number of recommendations during the audit which the Council need to respond to at pace to ensure they remain in a position to meet the earlier deadlines for the financial statements in future years.

Headlines

National context – audit backlog

Government proposals around the backstop

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

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

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

While historically the Council has not been impacted by the backstop, the move to the 30 November in two years time will be a significant challenge based on the current year's performance. As part of planning for 2025/26 we will work with officers to help understand the barriers to a faster audit process and identify ways to address them.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration."

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

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

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

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

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

Impact on the Council

- Based on draft financial statements the Council have not identified any right-of-use assets and have trivial lease liabilities.
- We performed specific audit procedures to ensure the completeness of recorded assets. This included reviewing the processes used by the council to capture and maintain lease data.
- Through review of management's leasing arrangements, we identified a number of leases held by the Council that had not been considered as part of their IFRS 16 assessment. The right of use asset valuation was assessed to be £1m, which is not material. We have documented an unadjusted misstatement on page 41.

2 Materiality

Our approach to materiality

As communicated in our Audit Plan dated 29 April 2025, we determined materiality at the planning stage as £14.9m based on 2% of prior year gross expenditure for the 2023/24 period. At year-end, we have reconsidered planning materiality based on the draft financial statements and confirmed that £14.9m remained appropriate.

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

Basis for our determination of materiality

- We have determined materiality at £14.9m based on approximately 2% of gross expenditure from the previous year.
- In setting the benchmark we consider to what level of misstatements could reasonably expected to influence the economic decisions of users taken on the basis of the financial statements.

Performance materiality

- We have determined performance materiality at £10.43m, this is based on 70% of headline materiality.
- This reflects our risk-assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.
- This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Specific materiality

- We have determined a lower materiality of £25,000 for senior officer remuneration disclosures, this is based on approximately 2% of the disclosure amount from the previous year.
- We deem senior officer remuneration as a specific sensitive area for users of the accounts.

Reporting threshold

- We will report to you all misstatements identified in excess of £0.775m, in addition to any matters considered to be qualitatively material.

Our approach to materiality

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

	Council (£)	Qualitative factors considered
Materiality for the financial statements	14,900,000	We have determined financial statement materiality based on a proportion of the gross expenditure of the council for financial year. Materiality equates to approximately 2% of the gross expenditure for the 2023/24 period.
Performance materiality	10,430,000	Based on the internal control environment at the Council we determined that 70% of headline materiality would be an appropriate benchmark.
Specific materiality for – senior officer remuneration	25,000	We determined a lower materiality for the senior officer remuneration disclosures. Materiality equates to approximately 2% of the expenditure for the 2023/24 period.
Reporting threshold	775,000	We will report to you all misstatements identified in excess of our reporting threshold, in addition to any matters considered to be qualitatively material.

3 Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

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

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

Risk title	Risk level	Change in risk since Audit Plan	Risk of fraud or error	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	Fraud	Low	●
Revenue cycle includes fraudulent transactions	Rebutted	↔	Fraud	Low	●
Expenditure cycle includes fraudulent transactions	Other	↔	Fraud	Low	●
Valuation of land and buildings	Significant	↔	Error	High	●
Valuation of investment properties	Significant	↔	Error	High	●
Valuation of the net pension fund asset/liability	Significant	↔	Error	High	●
Implementation of the new finance system	Significant	↔	Error	Low	●
Completeness of non-pay expenditure	Other	↔	N/A	Low	●
Completeness, existence and accuracy of cash and cash equivalents	Other	↔	N/A	Low	●

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

● Not likely to result in material adjustment or change to disclosures within the financial statements
● Potential to result in material adjustment or significant change to disclosures within the financial statements
● Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We have: • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness, and; • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	In our journals evaluation for 2024/25 using the Dynamics 365 ledger, we identified areas needing stronger controls. Management should address these deficiencies in the system's design and implementation. Control deficiencies identified are: • The financial systems team has Dynamics 365 admin access. Which grants users extensive privileges for finance related activities. This dual functionality raises concerns about potential conflicts of interests. The role has been assigned to nine users. • User access within Dynamics 365 is not revoked in a timely manner for terminated employees, creating a risk that leavers will continue to have access and can process unauthorised transactions. • Journals under £500,000 are posted to the ledger without authorisation, creating a risk of fraudulent and erroneous transactions. • Senior officers have the ability to post journals, posing a risk of fraudulent entries. However, our review found no journals posted by senior officers in 2024/25. Further, our testing of journal entries took longer than planned as our routine audit procedures for identifying unusual journals could not be performed as planned. This was due to the Council not being able to provide a transaction list which contained the required parameters, specifically user identification. This is a key data set to enable risk analysis over journals posted. Alternative populations were obtained from the Council, allowing us to complete additional procedures and analysis to pin-point the unusual journals posted by specific users for testing. In addition, monitoring the postings by specific users, particularly as there are individuals who have been identified as having privileged access, is an important control to detect fraudulent activity. Where this is not allowable due to the limitations of the system there is an increased risk that erroneous and fraudulent activity will go undetected. Our controls recommendations with regards to these issues are documented from pages 47 to 58.

Significant risks

Risk identified	Audit procedures performed	Key observations
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the revenue streams both individually and collectively.	We have: Accounting policies and systems • Evaluated the Council's accounting policies for recognition of income for its various income streams and compliance with the CIPFA Code. Fees, charges and other service income • Agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. Taxation and non-specific grant income • Income for national nan-domestic rates and council tax is predicable and therefore we have conducted substantive analytical procedures. • For other grants we have sample tested items back to supporting information and subsequent receipt, considering accounting treatment where appropriate.	Our audit work has not identified any material adjustments or findings in relation revenue recognition. We identified a classification error in relation to the Social Care grant for 2024/25. The grant of £16.8m is deemed to be specific and should be included within the Council's cost of service. Officers have agreed to adjust for this in the final set of financial statements. There is no impact on reserves as a result of this change.

Significant risks

Risk identified	Audit procedures performed	Key observations
The expenditure cycle includes fraudulent transactions Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure. We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.	We have: • Updated our understanding of the Council's business processes associated with accounting for expenditure; • Evaluated the Council's accounting policies for recognition of expenditure for its various material expenditure streams and compliance with the CIPFA Code; and • Agreed, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence.	Our audit work has not identified any material adjustments or findings in relation to expenditure recognition.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings Uncertainty relating to the revaluation of other land and buildings. The revaluation of land and buildings should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. The Council revalues land and buildings with sufficient regularity to ensure that the carrying value is not materially different from the current value at the financial statements date. The valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of these estimates to changes in the key assumptions. The risks will be pinpointed as part of our final's accounts work once, we have understood the population of the assets valued. We will report an updated risk assessment for valuation of property, plant and equipment in our Audit Findings Report.	We have: • Evaluated management's processes and assumptions for the calculation of the estimates, the instruction 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 valuations were carried out to ensure that the requirements of the CIPFA code are met; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly and where appropriate, consulted with our valuation expert (auditor's expert); • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and • Evaluated the assumptions made by management for assets revalued in year but where the valuation date is different to the year end date and how management have satisfied themselves that they are not materially different to the current value at year end.	Our audit work has noted no material adjustments in relation to significant risk. The Council uses both an internal and external valuation experts who provide valuations at multiple dates across the financial period. This in turn, creates complexities when reconciling the fixed asset register to the valuation reports and supporting information. As a result there were a high volume of queries and additional time was required to gain the appropriate level of assurance over the identified risk. We have identified a £4.1m variance between the statement of accounts and the valuation report because of late valuation submissions. We have included a related audit adjustment on page 43. Further, for other land and building not revalued at 31 March 2025 our assessment of assets not revalued resulted in a £934k estimated overstatement of other land and buildings.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of investment property Uncertainty relating to the revaluation of investment properties. Revaluation of investment properties should be performed every year, in line with the requirements set by the code of practice for local government accounting (the applicable financial reporting framework). The revaluation represents a significant estimate by management due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. The risk will be pinpointed as part of our financial accounts work, once we have understood the population of assets revalued.	We have: • Evaluated management's processes and assumptions for the calculation of the estimates, the instruction issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation experts; • Written to the valuers to confirm the basis on which the valuations were carried out to ensure that the requirements of the CIPFA code are met; • Challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding, and; • Tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly and where appropriate consult with our valuation expert (Auditor's expert).	Our audit work has not identified any material adjustments or findings in relation to the valuation of investment properties.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability The net pension fund liability, as reflected in the Balance Sheet, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. 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. However, the Council has had to consider the potential impact of 'IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset'.	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 is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the 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 performing any additional procedures suggested within the report, and; • Reviewed management's assessment under IFRIC 14 to determine whether any additional onerous liability should be recognised.	Our audit work has not identified any material issues in respect of the valuation of the net pension liability.

Significant risks

Risk identified	Audit procedures performed	Key observations
Implementation of new finance system Post migration data completeness & accuracy and system functionality operating to design. The council has implemented a new finance system, D365 on 24th March 2024. management started using the new system on 1 April 2024 at the start of the current financial year. The new system implementation including the data migration is considered a one-off event and may lead to error as it is non-routine and requires a significant amount of data transfer. In addition, management have also updated their trial balance coding so it is more comprehensive, with the aim of more effective and accurate reporting however there is an increased risk of error as management become more familiar with the system and new system generated reports. Due to the pervasive impact the general ledger has on the financial statements any issues identified with the migration and implementation could materially impact the accounts. Therefore, this requires particular audit attention and has been identified as a significant risk of error.	We have: • Obtained an understanding of the process and controls used for new system implementation • Assessed the data migration activity and results • Completed design and implementation testing over the new system.	Our audit work has not identified any material adjustments in relation to the new system implementation and data migration. However, we have identified a number of control deficiencies within the system and associated recommendations which are included within section 6 of this report. In addition, we experienced a number of delays in obtaining the correct populations containing the correct level of detail for sample strategies and testing, in particular for journals and debtors testing. As a result, we have also identified an improvement recommendation detailed in the Annual Auditor's Report as part of our value for money assessment over the Council's governance arrangements. We also identified that the newly implemented trial balance coding had the potential to create error when accounting for transactions and mapping to the statement of accounts. Our audit procedures identified a material classification adjustment within the Income and Expenditure analysed by nature disclosure relating to city region deal income totalling £41.6m. We also identified three other immaterial disclosure adjustments. These are detailed on page 37.

Other risks

Risk identified	Audit procedures performed	Key observations
Completeness of non-pay operating expenditure Non-pay expenses on other goods and services represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We therefore identify completeness of non-pay expenses as a risk requiring particular audit attention.	We have: • Evaluated the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness; • Gained an understanding of the Council's system for accounting for non-pay expenditure; • Tested a sample of balances included within trade and other payables, and; • Tested a sample of payments made and invoices received immediately after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period.	Our audit work has not identified any material issues in respect of the completeness of non-pay expenditure.
Completeness, existence and accuracy of cash and cash equivalents The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the statement of financial position. Due to the significance of cash transactions to the Council, we identified the completeness, existence and accuracy of cash and cash equivalents as a risk requiring particular audit attention.	We will: • Agree all period end bank balances to the general ledger and cash book; • Agree cash and cash equivalents to the bank reconciliation; • Agree all material reconciling items and a sample of other items to sufficient and appropriate corroborative audit evidence; • Obtain the bank reconciliation for the following month end and review the reconciling items against those included on the period end bank reconciliation; • Write to the bank and obtain a bank balance confirmation; and • Agree the aggregate cash balance to the relevant financial statement disclosures.	Our audit work has not identified any material issues in respect of the completeness, existence and accuracy of cash and cash equivalents.

4 Other findings

Other findings – key judgements and estimates

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

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of other land and buildings £484m at 31 March 2025	Other land and buildings comprises of specialised assets such as schools, youth centres and leisure centres, 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 not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has an internal valuer and also engage Cushman & Wakefield to complete its valuation of land and building for 2024/25. Approximately, 60% of the council's land and building assets were revalued during 2024/25. In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant comparable market data; current and prospective lease terms and income (where required); for DRC assets: build costs and internal floor areas; and for both EUV and DRC assets: condition assessments from inspections carried out and other relevant industry guidance. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.	We are satisfied that management's experts, are competent, capable and objective. We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations. We are satisfied that the sources of information used by management and the valuer for a selection of assets are appropriate. We have analysed the method, data and assumptions used by the management to derive the estimate and are satisfied that they are appropriate.	Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of other land and buildings £484m at 31 March 2025	The Council have chosen to value their land and building at multiple dates across the period. This increases the risk of material misstatement of closing balances, as the latest valuations may not reflect events or market movements that occur during the year. Management have considered the year end value of assets not valued in year, but also those where the valuation date was not at the balance sheet date. Management's assessment of assets not revalued has identified no material change to the properties value.	We have completed an assessment of assets not revalued and identified an overstatement of £934k, which is not material and supports management's assertion. The estimate is adequately disclosed in the financial statements.	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of investment property £60.7m at 31 March 2025	Investment properties held by the Council comprise of industrial units, retail units and offices. They are not specialised in nature and are required to be valued at fair value at year end. The Council engage Cushman & Wakefield to complete its valuation of investment properties. As required by the CIPFA Code all Investment property assets are revalued in year. In reporting a valuation for the investment properties, the valuer has considered a range of relevant sources of information, including: relevant comparable market data; current and prospective lease terms, income and yield. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required. The Council have chosen to value their investment property at 28 February 2025. This increases the risk of material misstatement of closing balances, as the latest valuations may not reflect events or market movements that occur during the year. Management's assessment of assets not revalued at 31 March 2025 has identified no material change to the properties value.	We are satisfied that management's expert, is competent, capable and objective. We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations. We are satisfied that the sources of information used by management and the valuer for a selection of assets are appropriate. We have analysed the method, data and assumptions used by the management to derive the estimate and are satisfied they are appropriate. Our assessment of assets not revalued at 31 March 2025 supports management's assertion that the year end balances are fairly stated. The estimate is adequately disclosed in the financial statements.	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability £26.5m at 31 March 2025	The Council's net pension liability at 31 March 2025 is £26.5m (PY £82.4m) 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.	We are satisfied that management's expert, is competent, capable and objective, We have documented and are satisfied with our understanding of the Council's processes and controls over the pension valuation, We have considered the completeness and accuracy of the underlying information used to determine the estimate, We have obtained assurances from the auditor of Avon Pension Fund over the processes and controls in place at the Fund and over the information provided to the Actuary; and We have analysed the method, data and assumptions used by management and their expert to derive the estimate, including using PwC as an auditor's expert. The table below compares the actuary's assumptions with our expectations:	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.8%	4.6%-6%	Reasonable
Pension increase rate	2.6%	2.6%-2.7%	Reasonable
Salary growth	4.1%	2.65%-5.3%	Reasonable
Life expectancy – Males currently aged 45/65	23.2/22	21.1-23.2/20.8-22	Reasonable
Life expectancy – Females currently aged 45/65	26.1/24.1	25.2-26.1/23.5-24.3	Reasonable

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings in relation to Dynamics 365 the please see separate 'IT Audit Findings' report.

				ITGC control area rating			
IT application	**Audit area**	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Related significant risks/other risks**
Dynamics 365	Financial reporting	ITGC assessment (design and implementation)	● Red	● Red	● Amber	● Green	Management override of controls
Active Directory	Financial reporting	ITGC assessment (design and implementation)	● Amber	● Amber	● Black	● Black	Management override of controls
CIPFA asset management	Fixed asset register	Understanding of IT processes	● Green	● Green	● Black	● Black	No related risk
Resourcelink	Payroll	Understanding of IT processes	● Green	● Green	● Black	● Black	No related risk

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
- ● [Black] Not in scope for assessment

Other findings – Information Technology

We also performed specific procedures in relation to the new system implementation in 2023/24 but was first initiated for use during the audit period.

We observed the following results:

IT application	Event	Result	Related significant risks
Dynamics 356	New system implementation	The new system implementation is a significant risk for the audit. The detail and rational for this categorisation is included on page 22. We concluded that there was appropriate governance over the implementation of Dynamics 365. We noted no issues in the accuracy and completeness of the trial balance migration. We noted that privilege access in Dynamics 365 has been assigned to a number of accounts. This was further supported by our work on the design and implementation of controls completed by our internal IT audit team. The detailed scope and findings of this work have been shared with management. Control recommendations are included as part of the action plan.	Management override of controls

5 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit 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 representations will be requested from the Council upon completion of our work.
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 have been received as part of our final accounts work.
Disclosures	• Our review found no material omissions in the financial statements, however we have identified some changes that would provide greater clarity and closer adherence to the Code, these are detailed in section 6.
Audit evidence and explanations	• All information and explanations requested from management was provided.
Significant difficulties	• Due to the implementation of the Council's new finance system, Dynamics 365 there have been delays around obtaining the necessary information to complete audit procedures. Primarily for journals and debtors transaction listings . This has created additional work to ensure that procedures completed provide us with sufficient levels of assurance.
Other matters	• Our work on value for money has identified a significant weakness in the Council's financial sustainability arrangements in respect of DSG. This was reported in our Auditor's Annual Report, presented to Audit and Accounts Committee on 25 November 2025.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the 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; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on 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/es. As outlined on page 7, we have identified a significant weakness in the Authority's arrangements to secure value for money .We identified a significant weakness in the Authority's arrangements for financial sustainability, as a result of the Councils Dedicated School Grant deficit.
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. Full procedures are not required on this as the Council does not exceed the threshold.
Certification of the closure of the audit	Due to the timetable for the Whole of Government Accounts, we are unable to issue the certificate alongside the audit opinion.

6 Audit adjustments

Audit adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Recognition of Social Care grant We identified a classification error relating to the social care grant for 2024/25. The grant is deemed to be specific and therefore should be included withing the Council's cost of services.				
Cost of services- gross income	(16,778)	0	0	0
Taxation and non-specific grant income- non-ringfenced government grants	16,778	0	0	0

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Recognition of City Region Deal expenditure We identified a classification error relating to the city region deal expenditure for 2024/25 between gross income and gross expenditure.				
Cost of services – resources gross expenditure	13,768	0	0	0
Cost of services – resources gross income	(13,768)	0	0	0
Property, plant and Equipment Through our test of accounting work for property, plant and equipment we have identified an understatement of the closing balance as at 31 March 2025.				
Property, plant and Equipment	0	3,245	0	0
Surplus on revaluation of property, plant and equipment	(3,245)	0	0	0
Overall impact	(3,245)	3,245	0	0

Audit adjustments

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Comprehensive Income & Expenditure Statement	We identified a typographical error in the CIES, where the gross expenditure disclosed for 2024/25 under People, was reported at £508,720k. The balance should be £508,020k and is therefore overstated by £700k.	Yes
Cash Flow Statement	From our work completed, we identified a classification misstatement totalling £3,242k, resulting in the understatement of net cash flows from operating activities and an overstatement of net clash flows from investing activities. The adjustment relates to the transfer of a land and building asset to investment property in year, originally classified as a purchase of investment property within investing activities, which was not purchased in year.	Yes
Note 2 - Accounting standards issued, not yet adopted	We noted that the narrative supporting the Council's IAS 16 & IAS 38 assessment in relation to the changes in the 2025/26 code did not comply with financial reporting requirements. The CIPFA code requires the disclosure to include an explanation and the impact of the application of the changes and if not possible to estimate the impact to disclose this fact.	Yes
Note 6- Events after the balance sheet date	We noted the figure of £11,681k in the disclosure for academised schools post 31 March 2025, should be £16,235k to include component elements of the valuation and mirror the closing balance of the asset.	Yes
Note 7- Expenditure and Funding Analysis	We identified incorrect use of signage in the expenditure and funding analysis disclosure. Within the pensions adjustment column, the balance relating to Resource & Business Change has been disclosed as negative £3,516k. This balance should be a positive. As this was a typographical error, no adjustment is required for total balances.	Yes

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 8 – Expenditure and Income analysed by nature.	Expenditure: £41,583k of expenditure relating to the City Region Deal is a material balance and should be disaggregated within this disclosure. As a result, benefit payments and other grant expenditure has reduced by £27,814k and fees, charges and other service income has increased by £13,769k.	Yes
	Expenditure: £1,008k of depreciation, amortisation and impairment relating to PPE impairment expenditure has been incorrectly classified as other service expenditure.	No- not material
	Income: £5,849k of interest and investment income relating to investment property income has been incorrectly classified as fees, charges and other service income.	No-not material
Note 11- Infrastructure Assets and other Property Plant and Equipment	In year, the Council transferred an asset, Mulgrove Farm, from surplus to assets held for sale with a closing balance of £11,480k. Our testing identified that the revaluation movement incurred was incorrectly disclosed in the property plant and equipment disclosure instead of the assets held for sale disclosure. As a result, line items revaluation decreases are overstated and assets reclassified are understated by £1,573k. The closing balances of the disclosures and the balance sheet are not impacted.	Yes
Note 11- Infrastructure Assets and other Property Plant and Equipment	Our sample testing of capital commitments identified a factual overstatement of £3,726k relating to amounts disclosed for Lyde Green School.	Yes
Note 11- Infrastructure Assets and other Property Plant and Equipment	In the disclosure ‘Schedule of asset revaluations by year’, we identified two assets with a combined value of £3,102k that had been revalued in year but omitted from the 2024/25 total.	Yes
Note 12- Investment Property	In the disclosures relating to the valuation techniques used to determine Level 2 and 3 fair value investments, the council have included detail relating to the significant observable inputs of investment properties. However, there is no disclosure to support the significant observable inputs in relation to surplus assets.	Yes
Note 13- Financial instruments	The balance within the narrative supporting the disclosure for non-financial instruments amounts are required to be updated for debtors and creditors. Non-financial instrument debtors are £2,300m understated and creditors are £5,000k overstated.	Yes

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 16- Debtors	The debtor for housing benefit grant income has been incorrectly classified as a prepayment. As a result the prepayment line in the disclosure is overstated and the trade receivables line is understated by £3,014k.	No-not material
Note 20- Cash Flow Statement- Operating Activities	We noted the inaccurate classification of £3,871k relating to the carrying amount of non-current assets sold or derecognised, disclosed under impairments and downwards valuation within operating activities.	Yes
Note 29- Transactions with related parties	Under the heading, Entities controlled or significantly influenced by the Council, we noted a £4k understatement in the debtor balance disclosed between the Council and Bristol and Bath Science Park Estate Management Company Ltd.	Yes
Note 31- Leases – the Council as a lessor	From our work completed we identified that the future minimum lease payments for investment property operating leases has been incorrectly calculated. The total value of the disclosure is understated by £5,044k due to the incorrect application of lease termination dates.	Yes
Note 35- Defined Benefit Pension Schemes	We noted that the narrative supporting the Council's IFRIC 14 assessment in relation to the net pension asset disclosure did not comply with financial reporting requirements. The CIPFA code requires the disclosure to include an explanation and the impact of the application of the asset ceiling.	Yes
Note 39- City Region Deal (CRD)	We noted that the Council's portion of CRD expenditure within the disclosure of £33,001k is not consistent with the expenditure recognised in the CIES of £46,770k. From work completed we are satisfied that the amount recognised in the CIES is accurate and the disclosure should be adjusted by £13,769k for consistency with supporting narrative to aid users understanding of the treatment.	Yes
Collection Fund Statement	From our testing of collection fund disclosures, in the calculation of the council tax base, we have identified a total variance of 272 ratable properties when comparing the disclosure to third party evidence.	Yes
Throughout	A number of typographical errors have been identified throughout the financial statements.	Yes

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit and Accounts 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
Right of Use assets Through management's lease assessment they identified twelve leases held where are related right of use assets should have been disclosed. Management have not adjusted for this as the impact is not material. Other adjustments on transition expected to be trivial.				
Long term assets- Right of Use	0	1,000	0	0
Lease Liability	0	(1,000)	0	0

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Other Land and Building Through reconciliation of the valuation report and the statement of accounts we have identified variances resulting in an understatement of the closing balance at 31 March 2025. Management have not adjusted for this as the impact is not material.				
Property, Plant and Equipment	0	4.100	0	0
Surplus on revaluation of property, plant and equipment	(4,100)	0	(4,100)	N/A Revaluation reserve
Debtors Debtors testing identified two inter-council transactions which are not permitted under the CIPFA Code. Management have not adjusted for this as the impact is not material.				
Capital grants receipts in advance	0	1,532	0	
Debtors	0	(1,532)	0	

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Pensions liability We have noted a variance between our assessment of IFRIC 14 and the impact of the asset ceiling within the accounts				
Other Comprehensive Income and Expenditure Remeasurement of net defined pensions liabilities	790	0	790	0
Pensions liability	0	(790)	0	0
Agency costs We have noted a projected overstatement within our agency costs testing.				
Creditors	0	998	0	0
Cost of services – agency costs	(998)	0	(998)	(998)
Fees, charges and other income We have noted a projected overstatement within our fees, charges and other income testing.				
COS Net Income	946	0	946	946
Debtors	0	(946)	(0)	(0)
Overall impact of current year unadjusted misstatements	(3,362)	3,362	(3,362)	(43)

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit and Accounts 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
Accumulated absence accrual- over estimated £4,119k					
In year management have created a new accrual and therefore this unadjusted misstatement is replaced. Therefore, no impact in current year.	0	0	0	0	No impact in 2024/25
Incorrect classification of grants received in advance as debtors £1,517k.					
Management have adjusted the balance from debtors to grants received in advance in the current year. The balance has been substantively tested in year with no issues identified. Therefore, no impact in current year	0	0	0	0	Adjusted in 2024/25 by management

Impact of unadjusted misstatements in the prior year

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
S31 grants credited to debtors instead of creditors £4,016k					
Management have adjusted the balance from debtors to creditors in the current year. The balance has been substantively tested in year with no issues identified. Therefore, no impact in current year	0	0	0	0	Adjusted in 2024/25 by management
S106 grants received in advance, not received in advance of balance sheet date £3,069k					
As income was received post year end the treatment as a receipt in advance for 2024/25 is deemed acceptable. Therefore, no impact in current year.	0	0	0	0	Deemed correct treatment for 2024/25
Estimation differences in the valuation of level 3 investments at Avon Pension Fund £2,238k					
As a revised estimate is provided for 2024/25 this is not considered to be a continuing issue and therefore, no impact in the current year.	0	0	0	0	No impact in 2024/25

Impact of unadjusted misstatements in the prior year

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
Abortive costs identified within the assets under construction balance at year end					
Property, plant and equipment- assets under construction	0	(727)	0	0	Low value error
Asset became operational on 31 March 2022, held at historical cost and not revalued in year					
Other comprehensive income	1,300	0	1,300	0	Low value error
Uplift of 18% on internally generated capital additions where costs had been incorrectly recharged to capital additions.					
Cost of services- Place	(1,081)	0	(1,081)	0	Low value error
Overall impact of prior year unadjusted misstatements	219	(727)	219	0	
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	(4,089)	3,581	(4,089)	(998)	

Action plan

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

Assessment	Issue and risk	Recommendations
● High	**Lack of controls over privileged access in Dynamics 365** It was noted that privilege access in Microsoft Dynamics 365 is granted through the following roles : • System Administrator • Security Administrator • SGC_Finance Admin The SGC_Finance Admin role includes a sub-role of Security Administrator, enabling the Financial Systems helpdesk team to manage user access while also granting extensive privileges for finance-related activities, batch job management, and automated workflows. This dual functionality raises concerns about potential conflicts of interest, particularly as the role has been assigned to nine users. Users with administrative privileges at application level have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data.	It is recommended that the SGC_Finance Admin role should either not be used or be customized to ensure a clear separation of duties. This will help mitigate potential conflicts of interest and enhance security by restricting access to sensitive financial functions. The Council should undertake a thorough review of user assignments and a re-evaluation of role configurations to maintain appropriate access controls within the Microsoft Dynamics 365 environment. For each account identified, the Council should confirm the : • requirement for the account to be active and be assigned privileged access • which users have access • controls in place to safeguard the account from misuse. Where possible, privileged accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed. Alternately, Council should implement suitable controls to limit access and monitor the usage of these accounts (i.e. through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded. **Management response** At the time of the audit the Financial Systems Helpdesk and the role they use, SGC_Finance Admin, did include Security Administration privileges. This was to enable them to continue managing security roles for Finance users of the System, as they had always done in Civica. At HR go-live on 2nd June 2025, the role, SGC_Finance Admin, was modified to remove the Security Administrator privilege, and the management of role assignment was brought into ITD.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
● High	**General ledger containing user identification** Management were not able to provide a full listing of journals with associated user identification included. Where the finance system does not allow for such a report to be readily obtainable, there is a risk it can prevent management from completing journals monitoring on a user by user basis and given the deficiencies identified fraudulent or erroneous journals may be posted and go unrecognised.	We recommend that management should seek support in advance of the 2025/26 year end in obtaining the transaction report with the appropriate parameters. **Management response** Work is underway to produce the required information using the Councils new general ledger.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Lack of controls over generic users in Active Directory** Through review of generic user accounts with privileged access to Active Directory and Azure AD, we noted : 6 active generic service accounts which are no longer required. 4 generic accounts in disabled state which are no longer required. The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.	We recommend the Council should confirm the: • Requirement for the account to be active and be assigned privileged access • Which users have access • Controls in place to safeguard the account from misuse. Where possible, generic accounts should be removed. Alternately, the Council should implement suitable controls to limit access and monitor the usage of these accounts (i.e. through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded. **Management response** At the time of the audit the Financial Systems Helpdesk and the role they use, SGC_Finance Admin, did include Security Administration privileges. This was to enable them to continue managing security roles for Finance users of the System, as they had always done in Civica. At HR go-live on 2nd June 2025, the role, SGC_Finance Admin, was modified to remove the Security Administrator privilege, and the management of role assignment was brought into ITD.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
Medium	**User access within Microsoft Dynamics is not revoked in a timely manner for terminated employees** The user access termination process relies on an HR list of leavers to be published on the Intranet each month. This causes delays in notifications to the Financial Systems Helpdesk team in order to disable the user's ID in MS Dynamics 365. Our sample testing confirmed that for one user, there was a delay of 29 days after their leave date to revoke access at the Active Directory level. In response, we performed IT substantive procedures across 100% of leavers in the audit period. We reviewed the last login dates and verified that none of the leavers' account had not been accessed after the last working day. Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorized access transactions. There is also a risk that these accounts may be misused by valid system users to circumvent internal controls.	We recommend the Council should ensure that a comprehensive user administration procedures are in place to revoke application and AD access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers The Council should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner. Where old or unused accounts have been identified, these should be immediately revoked. **Management response** Leaver's D365 access will be removed automatically when the line manager completes the HR leaver's notification on D365. A Halo request will be created automatically for the termination of the accounts – SP 15/07 Automated alerts will be set up for leaver's notification to IT Team.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Segregation of duties conflicts for change developers and implementors** The assessment of Azure DevOps (ADO) revealed that change management processes lack a minimum requirement for reviewer approval, as reviewers are added only during the release process using Team Foundation Version Control (TFVC). Additionally, it was noted that pull requests in ADO are often developed and implemented by the same individual, further compounding the risks associated with a lack of segregation of duties While TFVC facilitates tracking modifications and collaboration among developers, several change requests submitted to EY remain unprocessed, including some that are cancelled or unresolved. Additionally, we reviewed the version change dates from TFVC and found that there were no changes made during the year. Furthermore, although ADO maintains a log of pull requests detailing who initiated and approved changes, this log is not regularly reviewed to ensure proper development and implementation by different individuals. The combination of access to develop and implement those changes in the production environment creates a risk that inappropriate or unauthorised changes are made to data and/ or programs.	We recommend the Council should segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development. Where the Council is unable to fully segregate access for operational reasons, alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. **Management response** The Council is exploring options with the external partner to fully segregate access.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
Medium	**Approval of journals under £500,000** In prior year we raised a recommendation for the Council to implement a formals journals approval process. They have taken advantage of the new system implementation to update their processes, and we note that all journals over £500k are subject to approval. Although there are some controls in place to minimise the associated risk, there are no preventative, point of entry controls which presents an opportunity for fraudulent posting for balances under £500,000.	We recommend the Council consider the appropriateness of the current approval threshold in mitigating the risk of fraudulent journals being posted that in aggregate could be significant. **Management response** A conscious decision was taken to set a level of authorisation that did not unnecessarily result in an administrative burden. Having reviewed the number of journals and the values concerned, we are comfortable with the level of risk this presents.
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 recommended the access is removed.	We recommended the access is removed. **Management response** On purchase of the system a decision was taken to adopt rather than adapt. The off the shelf licenses come with set access including journal postings. Senior officers require a license to approve purchase orders which includes journal access, although never utilised. We will continue to monitor the activity of these users.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
Medium	**Transaction listings to support sampling** Through determining the populations required for sampling strategies, we identified significant contra and recharge balances within the populations. In some cases, listings provided were not at transactional level. There is a risk that due to inflated populations and single transaction line representing significant activity, management do not have sufficient oversight of the transactions that feed into the year end account balances, potentially resulting in errors.	We recommend management seek to review and cleanse the sample populations in advance of providing to the audit team and seek to improve the in-year processes to limit the number of recharges and contras that are processed. **Management response** Samples will be cleansed in future to remove contras and recharges.
Medium	**Updated declaration from members** Our review of the declarations of interest and gifts identified that members do not update their declarations a frequently as expected. There is a risk that material interests are not identified and that policies to identify related parties or significant interests are not being implemented correctly.	We recommend that all members ensure they update their declarations on a timely basis and this is monitored for completeness. **Management response** This is member responsibility; we will continue to send reminders on a regular basis.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
Medium	**Related Parties** Our testing of related parties identified one undeclared interest relating to one member. We did not identify any adjustments relating to this finding as the third party was already disclosed by management. Where declarations completed by members do not reflect their interests, there is a risk that the related parties disclosure is incomplete.	We recommend member interests are updated annually or as required and management critically assess the completeness of the declarations. **Management response** Democratic services have been advised of the recommendation and are reviewing current practices.
Medium	**Consolidation of schools** Our reconciliation of the general ledger to the accounts identified that the school's comprehensive income and expenditure is not consolidated on a line by line by line basis with the council's. We experienced difficulties in reconciling the balances. Where the consolidation is completed on a line by line basis, any errors or issues are easily identifiable and can be tracked back to specific school transactions or trial balance codes.	We recommend that management consolidate the school's and council's comprehensive income and expenditure in the same way they complete the balance sheet consolidation. **Management response** The schools system is contained within a separate system. Consideration will be given to the most efficient way of consolidating this information whilst giving consideration to the recommendation above.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
● Low	**Lack of review of disabled users in Active Directory (AD)** For one privileged user with access to AD, we determined that the user had been disabled but the account remained active within the Account Operators domain group. Additional testing verified that the account had not been logged into after May 2023. There is a risk that unauthorised active can be conducted on active accounts.	We recommend the Council should ensure that a comprehensive user administration procedures are in place to remove active directory access for disabled users in a timely manner. To prevent any potential misuse of this user ID by other individuals within the entity, it should be removed from the group The Council should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner. Where old or unused accounts have been identified, these should be immediately removed. **Management response** ICT and financial systems will review the recommendation.
● Low	**Lack of review of information security/ audit logs** It was noted that information security event logs, which capture the monitoring of activities such as failed logins and use of privileged user accounts are not proactively reviewed in Microsoft Dynamics 365 and Active Directory There is a risk that unauthorised super user activity is not identified and remediated through monitoring activities.	We recommend that security event logs are reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel / team who are independent of those administrating the system. Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence. **Management response** ICT and financial systems will review the recommendation.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
● Low	**Lack of automated alerts for batch job failures** In MS Dynamics 365, there are two types of batch jobs: scheduled batch jobs, which run at predefined intervals and are manually managed by SGC's Financial Systems Helpdesk team, and point-in-time jobs, which are automatically triggered by user actions during transactions. The helpdesk team uses a job monitoring template to identify and resolve errors from scheduled jobs, but no alert notifications are set up for failures. Meanwhile, users and teams manually administer their own point-in-time jobs and handle any errors that arise.	We recommend that management, in addition to the manual monitoring, should implement the below for monitoring of batch and scheduled jobs to allow failures to be effectively identified, recorded and investigated. • configuring automated alerts/email; or • implementing a periodic manual review of system job completion logs. **Management response** ICT and financial systems will review the recommendation.
● Low	**Minimum Revenue Provision Policy** We noted on review of the minimum revenue provision policy that item 3.3 relating to leases and on-balance sheet PFI agreements states the use of the repayment method. This is not in line with statutory guidance.	We recommend that the Council review and update the policy so it is consistent with statutory guidance. **Management response** The MRP policy will be updated to reflect the recommendation above.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
● Low	**Lack of locking control in Dynamics 365 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 recommended that the Council introduce a preventive control such that back- and forward-postings are not permitted. **Management response** Past period will be locked in D365 from 2026 onwards and financial systems consulted on future periods.
● Low	**Useful economic lives of Vehicles, Plant and Equipment** Through audit testing we identified a number of VPE assets where the useful economic live used to calculate depreciation was not in line with the Council's accounting policy. We noted the impact is £2.28m which is not material. Where assets are not depreciated in the line with the policy, there is a risk that the UEL adopted does not reflect the actual life and depreciation for the asset is calculated inaccurately.	We recommend that management review the useful economic lives of assets to ensure they reflect the expected benefit and that the policy aligns with this. **Management response** Asset lives will be reviewed and compared to the Council's accounting policy.

Key

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

Action plan

Assessment	Issue and risk	Recommendations
● Low	**Annual governance statement** The annual governance statement is thorough, and our audit testing has concluded that the content is in line with the requirements of the CIPFA Code. However, there is a potential for making it simpler for the readers and avoid duplication across sections, particularly governance principles and roles are repeated.	We recommend some improvement opportunities to improve readability while maintaining depth. • Streamline the structure by consolidating repeated content into summary tables or appendices. • Use visual aids such as diagrams or flowcharts to present governance frameworks more efficiently. • Include an executive summary to highlight key points for quick reference. **Management response** The above recommendations will be taken onboard for the next iteration in 2025/26.
● Low	**Housing benefit parameters** We noted that incorrect parameter have been input for the 'Disabled Child Rate' within the revenues system. We noted no material impact. We recommend that the council review their housing benefit parameters for consistency with the DWP guideline to avoid over or underpayment	We recommend that the council review their housing benefit parameters for consistency with the DWP guideline to avoid over or underpayment. **Management response** We are aware of the error that led to an incorrect parameter value being entered, and we are improving our processes to reduce the risk of future issues.
● Low	**Terms of engagement** We note there are not formal terms of engagement between the council and the internal valuer. This is no compliant with RICS standards.	We recommend that the internal valuer prepares a formal terms of engagement letter for the agreed work in year **Management response** Each year an engagement letter is sent to the councils external valuers for its investment properties. Internally a SLA is updated and agreed each year for the internal service provision. For 25/26 an internal engagement letter will be created alongside this.

Key

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

Follow up of prior year recommendations

We identified the following issues in the audit of prior year's financial statements, which resulted in nine recommendations being reported in our 2023/24 Audit Findings Report. Management have implemented a number of the recommendations, however there remain actions that are outstanding from 2023/24 and earlier years.

Assessment	Year identified	Issue and risk previously communicated	Update on actions taken to address the issue
✓	2023/24	**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 recommended that the financial system team should not have Civica admin access, and the admin access should be restricted to the IT team.	As the Council have implemented a new financial system in year, this recommendation has been superseded by a recommendation raised in 2024/25 relating to the new financial system.
✓	2023/24	**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 recommended that the Council implement a formal journals approval process where point of entry controls are established.	As the Council have implemented a new financial system in year, this recommendation has been superseded by a recommendation raised in 2024/25 relating to the new financial system.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Year identified	Issue and risk previously communicated	Update on actions taken to address the issue
✓	2023/24	**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 recommended that a preventive control is introduced such that back- and forward-postings are not permitted.	As the Council have implemented a new financial system in year, this recommendation has been superseded by a recommendation raised in 2024/25 relating to the new financial system.
X	2023/24	**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 recommended the access is removed.	This is unresolved and we have included a further recommendation.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Year identified	Issue and risk previously communicated	Update on actions taken to address the issue
X	2023/24	**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 recommended 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.	This remains to be an issue. We have re-raised this as a recommendation.
✓	2023/24	**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 recommended record-keeping is improved to support floor areas which underpin property valuations.	In our audit testing of property valuations, we encountered no issues in obtaining floor plans and evidence to corroborate GIAs.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Year identified	Issue and risk previously communicated	Update on actions taken to address the issue
X	2023/24	**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 recommended that the council include a component depreciation policy within their financial statements. We recommended 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.	The council now include depreciation of components within the accounting policy. We have however, identified that UELs recorded are not in line with the accounting policy. This remains to be an issue. We have raised this as a recommendation again.
X	2023/24	**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 recommended that management review and update the partnership register annually as a minimum.	We obtained an updated partnership register from the Council in December. Due to the delay in providing the required information, this remains to be an issue.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Year identified	Issue and risk previously communicated	Update on actions taken to address the issue
X	2023/24	**Better care fund S75 agreement** Management were unable to provide us with a S75 signed agreement. We recommended management obtain a signed S75 agreement for pooled funds.	This remains to be an issue for 2024/25 as we could not obtain a signed S75 agreement.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Year Identified	Issue and risk previously communicated	Update on actions taken to address the issue
X	2022/23	**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.	**Update 2023/24** Management have confirmed they will be reviewing internal recharges as part of its migration to Microsoft D365 in April 2024. **Update 2024/25** Our audit work has identified a significant volume of internal recharges for this year as well.
✓	2022/23	**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.	**Update 2023/24** 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 **Update 2024/25** Our audit work has identified that the accounts have been closed in year

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Year Identified	Issue and risk previously communicated	Update on actions taken to address the issue
✓	2022/23	**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. 2023-24 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.	**Update 2023/24** 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. 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. **Update 2024/25** We have not identified any issues from the work done.

Assessment

✓ Action completed

X Not yet addressed

7 Value for Money arrangements

Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our interim AAR was reported to you on 25 November 2025 at the Audit and Accounts Committee.

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

Improving economy, efficiency and effectiveness

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

Financial sustainability

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

Governance

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

In undertaking this work we have identified a significant weaknesses in financial sustainability arrangements in respect of the DSG deficit.

8 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no independence matters that we would like to report to you.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the 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 group 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/group, 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.

Fees and non-audit services

The following tables below The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to November 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

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

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

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

Audit fees	£
Scale fee for South Gloucestershire Council 2024/25	383,160
Proposed fee variation	35,000
Total	**418,160**

Fees and non-audit services

Assurance Service Fees- where work is ongoing during the 2024/25 financial period

Service	2022/23 £	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	43,000	47,400	53,325	For these two audit-related service, we consider that the following perceived threats may apply: • Self-interest (because this is a recurring fee) • Self review (because Grant Thornton provides audit services) • Management (because findings are shared with 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 £168,725 in comparison to the total scale fee for the audit of £383,160 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, our team have no involvement in the preparation or the review of the work underpinning the certification, and do not expect material misstatements in the financial statements to arise from the completion of the certification work. To mitigate against the management threat, i.e. acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
Teacher's Pension certification	-	12,500	12,500		
Total	12,500	59,900	65,825		

Certification of Housing Benefits Subsidy Claim- assurance work is currently ongoing for all three periods referenced above.

Teacher's Pension certificate- assurance work for the year 2023/24 was certified in November 2024. Assurance work is ongoing for 2024/25.

Fees and non-audit services

Total audit and non-audit fee

Audit fee	£383,160	Assurance services for 2024/25	£65,825
Proposed fee variation	£35,000		

The above fees are exclusive of VAT.

The fees agree to the financial statements, exclusive of the proposed fee variation to be agreed with management.

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

9 Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Our team and communications

Grant Thornton core team

Helen Lillington

Engagement Lead/ Key Audit Partner

- Key contact for senior management and Audit and Accounts Committee
- Overall quality assurance
- Signs opinion on financial statements

Francesca Hitchman

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Aman Agarwal

Audit Senior/ In-charge

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

Team of 2-3 audit assistants and specialists members of the team. Including, IT audit, Digital audit team and Property valuation experts.

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

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C. Logistics

Year end:

31 March 2025

Draft accounts published :

31 May 2025

Audit and Accounts Committee–

January 2026 – Audit Findings Report

Opinion issued-

by 31 January 2026

Finance team prepare financial statements and supporting working papers

Audit work carried out (June to November 2025)

Work to prepare (by Council) includes:

- statement of accounts in accordance with Regulations and the CIPFA Code
- narrative statement
- annual governance statement

Signing and approval

- Statement of accounts are signed and approved by responsible financial officer, confirming that it presents a **true and fair** view of the financial position and income and expenditure

Publication and Exercise of public rights

- Statement of accounts are published including narrative report and annual governance statement
- Exercise of public rights period commences (30 days). This includes rights of objection, inspection and questioning of the auditor

Signing and approval

- Finance officer reconfirms that satisfied the accounts present 'true and fair' view
- Members approve the statement of accounts
- Members approve the annual governance statement

Publication:

- accounts and narrative statement, together with opinion and certificate
- annual governance statement
- notice of conclusion of audit

Grant Thornton