

External Audit Plan for Spelthorne Borough Council

Year ending 31 March 2025

May 2025



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01 Key developments impacting our audit approach

Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, Presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more, but there can be agreed exceptions to this criteria. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Surrey was not named by the government on 5 February 2025 as one of the six areas accepted onto the Devolution Priority Programme, however the government have stressed the 'urgency of creating sustainable unitary local government in Surrey', postponing the planned county elections in May 2025 to help 'speed up reorganisation and deliver the local ambitions for devolution with the benefits it will bring.'

Across Surrey all services would still be provided, but by newly formed unitary authorities, rather than the 11 district and borough councils and the county council. The new boundaries in Surrey were submitted to Central Government on the 9th of May, as required, with a two model being proposed by Surrey County Council and a three unitary model, proposed by the Districts and Boroughs. The geographical split of the areas served by the new unitary authorities, will be confirmed in the Autumn.

This will allow elections in May 2026 for the new Unitaries, to shadow, ahead of 1 April 2027. An eight-week statutory stakeholder engagement is planned for June 2025. This will cover both proposals submitted. Of the two final submissions a 2 unitary model is split east and west. The 3 unitary model would have Spelthorne amalgamated with Runnymede and Elmbridge.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Local Government Reorganisation will also impact on the Council's ability to recruit and retain talent now and in the lead up to 1 April 2027.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding : Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year. Funding reform, including Business Rates reset will take place in 2026-27 and this is forecast to have a significant detrimental impact on the Surrey Districts.

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context

Best Value Inspection

In May 2024, the Government appointed Best Value Inspectors to review the Council's finance and governance arrangements. Their work concluded at the end of January 2025, with a report being published by the Government on the 17th of March 2025. The report highlighted a number of weaknesses at the Council around continuous improvement, leadership, governance, culture and use of resources. The government appointed Commissioners at the Council in 2025.

Recommendations Follow-ups

The 2023/24 financial statement audit was the first year of audit for the Council in 5 years, resulting in a disclaimer of audit opinion. However, as part of the rebuilding of assurance, both the financial statement audit and the value for money reports, identified 29 recommendations that the Council needed to address. At the end of February, council officers presented a detailed action plan to members of the Audit Committee.

Financial Outturn 24/25

At the time of drafting this report, at Month 9, the Council was forecasting to underspend by £3m (net). Forecast revenues from "Commercial & Regeneration Assets" was £48m, with loan payable interest (£23m) and minimum revenue charges (£12m), landlord costs (£7m) totalling £42m of costs associated with commercial properties. There was a forecast net £1.6m contribution from the "Sinking Fund" reserve.

Capital Additions 24/25

The Council is forecasting a closing Capital Financing Requirement of £1.18 billion, with Capital Investment (additions and revenue expenditure funded under statute) amounting to £51.2m and sources of debt projected to be £28.8m. The largest capital projects are the purchase acquisitions of housing through the Local Authority Fund Grant (with a projected total spend of £21.5m) and the Spelthorne Leisure Centre Development with a projected spend of £18.8m. The Council has had to pause several capital projects as it reviews its delivery structure.

Disposals 24/25

Based on discussions with council officers, we have been made aware that some assets that have been purchased on behalf of Knowle Green Estate Ltd by the Council. In addition, a number of capital project spend was being reviewed by management as to whether associated capital spend should have been written off to revenue capital expenditure or should have been charged to revenue as opposed to being capitalised in the first place. The Extraordinary Council Meeting on 18th March approved the sale of Summit Centre for £20m and Ashford Victory Place for £5.2m – exchange and completion will be by end of June 2025 and with the PWLB early repayment discounts on the loans will enable the Council to pay off about £35m of PWLB debt.

Our Response

- We have reviewed the Best Value Report and we will consider the impact of the weaknesses identified as part of our value for money report and on-going statutory recommendations at the Council in 2025.
- As part of our 24/25, we will follow-up with officers, the implementation of the action plan and consider whether detailed action plan developed will or has adequately addressed the weakness identified. We will provide updates to the Audit Committee throughout the year.
- We will review the Council's financial performance as part our value for money assessment and understand the key drivers of performance. As part of the financial statement audit, we will review the accounting of the income from commercial properties is in line with the standards and the council's assessment of minimum revenue provision charge for 24/25 is adequate.
- We will consider and review the accounting treatment of the purchased properties and any transfers to its Subsidiary companies. We will review the accounting of capital additions meet the requirements of IAS16 or IAS40 (or the Code requirements), and where projects have paused, we will review the accounting treatment at year end and associated borrowing costs.
- We will review the Council's accounting of any capital disposals or transfers. In addition we will review the accounting implications of any capital or revenue costs that were inappropriately accounted for in the past.

Key developments impacting our audit approach

Local Context

New accounting standards and reporting developments

- Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next slide.
- The FRC issued revisions to ISA (UK) 600 ‘Audits of group financial statements (including the work of component auditors)’. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019).
- The new and revised requirements strengthen the auditor’s responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.

Our Response

- Detailed review of the Council’s implementation of IFRS 16.
- Enhanced procedures in respect of audits of group financial statements

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Chief Financial Office.
 - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. We will look to work onsite at least twice a week and agree with officers the timing of onsite visits.
 - We will meet the Chief Executive, Chief Finance Officer and Monitoring Officer every six months, and with the interim Chief Accountant/Deputy Chief Finance Officer quarterly as part of our commitment to keep you fully informed on the progress of the audit. In addition, members of the audit team and finance team will have regular catch-up meetings at different stages of the audit process.
 - At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.
 - Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
 - We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
 - We held our annual financial reporting workshops in February and March for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector. Members of the Finance Team were invited to the workshops and attended.
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IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) 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.

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 all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

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

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

In our 23/24 Financial Statement audit, the Council voluntarily adopted the implementation of IFRS 16 early. We provided feedback to officers, and we were unable to be assured over the completeness and accuracy of the balance disclosed 23/24. We have made initial inquiries with officers, and we understand that this something they are reviewing and will update in the 2024-25 financial statements.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

The Backstop

Local Government National Context – 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 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 27 February 2026.

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.

Local Government National Context – Local Audit Recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop and lack of adequate record keeping. As are result, we anticipate that for 2024/25:

- we will focus on rebuilding assurances on closing balances. In 23/24 we were unable to gain assurance over opening balances, (therefore, no assurance over the in-year and closing position as at 31st March 2025). Therefore, this also meant had no assurance over the council's closing reserve balances due to the uncertainty over opening balances (including the income and expenditure balances)

We are in discussion with the NAO and the Financial Reporting Council (FRC) as how we regain assurance. We will work with the Council to rebuild assurance over time. This, for Spelthorne will need to be linked to the creation date of the new Surrey arrangements, 1 April 2027 to support the new organisations gain assurance over inherited financial balances.

Our Work

Our initial focus for the audit will be on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances for 2024/25.

Our objective is to begin a pathway to recovery, by providing assurance over the in year 2024/25 transactions and movements, where possible, and those closing balances which can be purely determined in isolation without regard to the opening balance, such as payables and receivables.

As guidance is received from the NAO and the FRC, we will formulate a more detailed strategy as to how assurance can be gained on prior years.

It is acknowledged given the absence external audit assurance for a 5-year period it will take time to re-build assurance over the balances within the financial statements.



02 Introduction and Headlines

Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Spelthorne Borough Council (“the Council”) for those charged with governance.

Respective responsibilities

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

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council’s and Group’s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

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

Our audit approach is based on a thorough understanding of the Council’s business and is risk based.

Planning enquiries

As part of our planning risk assessment procedures, we have made written enquiries to management covering areas such as Going Concern, Laws and Regulations, Fraud and Accounting Estimates. Responses were shared and considered by the Audit Committee Chair and subsequently provided to external audit

Introduction and headlines (continued)

Significant risks

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

- Management override of control
- Presumed risk of fraud in revenue (commercial income, sales and other income)
- Operating expenditure completeness
- Valuation of Pension Liability
- Valuation of land and buildings and Investment Properties
- Minimum Revenue Provision

Other Risks

- The Group Accounts
- Presentation and Disclosure

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

Group Audit

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

Knowles Green Estate

Spelthorne Borough Council

Spelthorne Direct Services

Materiality

We have determined planning materiality to be £1.6m (PY £1.7m) for the Council and £1.7m and (PY, £1.8m) for the Group, which equates to 1.5% and 1.4% respectively of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £85k (PY £97k) for the Group and £85k (£85k PY) for the Council.

A Lower materiality of £20k has been set for officer remuneration disclosures at both the group and council levels.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weaknesses under the 3 criteria's

Financial Sustainability

- Three significant weaknesses in arrangements identified in 23/24 due to: inadequate medium term financial planning; insufficient plans to address future budget gaps and inadequate management of financial risk.

Governance

- Three significant weaknesses in arrangements identified in 23/24 in relation to decision making and scrutiny, risk management and governance relating to subsidiary undertakings and maintaining appropriate standards.

Economy Effectiveness and Efficiency

- Three significant weaknesses in arrangements identified in 23/24 in relation to use of financial and performance information, a failure to secure improvement following an external Review, and a failure to deliver efficiency/performance improvements when managing significant outsourced contracts.

The Council had a Best Value Inspection recently, with the findings published on the 17th of March 2025, with the Government Minister considering appointing Commissioners. As part of the 24/25 audit, we have reviewed the report and updated our risk assessment, we will continue to monitor the situation throughout the audit.

Audit logistics

Our interim visit took place in March and our final visit will take place in July to September 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report. Our proposed fee for the audit is £222k (PY: £251k) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input. We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

03 Identified risks

Significant risks identified

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

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



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

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



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

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

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p> <p>The council has a significant income stream from commercial properties and based on the disclaimed accounts for 23/24, rental income was £53m.</p> <p>The Council is also disclosed other sales and charges of approximately £0.6m. There is a risk of either fraud or improper revenue recognition for these income streams apart from Government Grants & Collection Fund income streams.</p> <p>We have therefore, not rebutted this presumed risk that revenue may be misstated due to improper recognition for commercial rents and sales and charges.</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the group's accounting policy for recognition of income from commercial properties, sales and other charges for appropriateness; • review on a sample basis the accounting treatment of lease incentives and other provisions within operating lease agreements to ensure adequate accounting treatment • gain an understanding of the Authority's system for accounting for income from commercial income, sales and other charges, and evaluate the design of the associated controls; • Agree on a sample basis, amounts recognised as income from commercial rents, sales and other charges in the financial statements to supporting documents. • test the completeness of revenue within the 24/25 financial statements. • test the associated trade receivables or debtors pertaining to commercial rents and other sales and charges. • review the disclosures within the financial statement and ensure this meets the requirements of the code.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions	Council	<p>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</p> <p>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 expenditure and consider the risk to relate to the completeness of expenditure and associated creditors (unrecorded liabilities) or capitalisation of revenue expenditure. In addition, our audit of the 23/24 statements noted instances of expenditure which was being inappropriately capitalised.</p> <p>The Council in 24/25 was also undertaking an assessment of its capital projects to determine whether costs had been correctly accounted for as capital or should have been charged to revenue. We will need to understand the scope of this work, assess and review the impact on the financial statements.</p> <p>There is a risk of fraudulent expenditure recognition, for the Council to report a certain year end position. The Council's projected capital programme was £51 million for 24/25. Therefore, if the Council were to fraudulently recognise expenditure, we believe it would be through the inappropriate capitalisation of revenue items.</p>	<p>To address the completeness risk we will</p> <ul style="list-style-type: none"> Evaluate the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code; Update our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls; Agree on a sample basis relevant expenditure and year end payables and accruals to invoices or other supporting evidence; We will carry out testing on sample basis of invoices received in the period prior to and following 31 March 2025 to determine whether expenditure is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties. <p>To address the significant risk in capital expenditure we will:</p> <ul style="list-style-type: none"> Evaluate the Council's accounting policy for capitalisation of expenditure for appropriateness and compliance with the Code; Update our understanding of the system for accounting for the capitalised expenditure and evaluate the design of associated processes and controls; Agree on a sample basis relevant capital expenditure to invoices or other supporting evidence, to confirm it is capital in nature;

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the pension fund Net liability.	Council	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The council participates in the local government pension scheme administered by Surrey County Council.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£6.2million in the single entity's balance sheet at 31 March 2024), complexity of the actuarial valuation and the sensitivity of the estimate to changes in key assumptions. The Council engage the services of Hymans Robertson as a qualified actuary to develop an IAS 19 compliant estimate of the pension fund net liability.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • Assess the accuracy and completeness of the information provided by the Group to the actuary to estimate the liabilities; • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from our pension fund testing as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the Council's Land and Buildings, Investment Properties	Council/Group	<p>The Council has a significant property plant and equipment. The following holding of based on the disclaimed 2023/24 financial statements:</p> <ul style="list-style-type: none"> Land and building assets totalling £95m as at 31 March 2024. The council's valuer for land and building is Wilks Head and Eve Investment properties amounting to £625m as at 31 March 2024. The majority council's valuer for investment properties in 2024-25 is Knight Frank and a small proportion valued by Wilks Head and Eve The Group - Knowle Green Estate LTD has land and buildings £39m as at 31st March 2024 (audited) . Their valuer is Wilks Head and Eve. <p>This valuation represents a significant estimate by management in the financial statements due to the size of the figures and the sensitivity of this estimate to changes in key assumptions. Management has engaged the above mentioned external valuers' services to provide an estimate of the current value and fair value of these assets in line with the council's valuation cycle.</p> <p>We therefore identified valuation of land, buildings, including Investment Properties assets, as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. We engage our own valuation expert to support us in this area and other aspects of our work in relation to this risk; Evaluate the competence, capabilities and objectivity of the valuation expert; Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; Challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by management to their valuer, the scope of the Group's and Council's valuers' work, the Group and Council's valuers' reports and the assumptions that underpin the valuations; Challenge the categorisation of assets to ensure the valuation methodology applied is appropriate for the asset Assess the value of a sample of assets in relation to market rates for comparable properties; Test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and Evaluate the assumptions made by management regarding assets not revalued during the year particularly regarding how they are satisfied these are not materially different from current value at year end. We will focus our testing on the closing balance of property plant and equipment including investment property as part of rebuilding assurance.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Minimum Revenue Provision	Council	<p>Minimum Revenue Provision</p> <p>The Council's Capital Financing Requirement as at 31 March 2024 was £1.2bn with external borrowing £1.2bn. The Council's minimum revenue charge for 2023/24 was £12m.</p> <p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund (GF).</p> <p>According to regulations, the duty to make MRP extends to Investment Property where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements.</p>	<p>We will</p> <ul style="list-style-type: none"> • testing that the council has appropriately calculated its Capital Financing Requirement (CFR). • testing that the Council is correctly identifying capital expenditure subject to MRP charge in line with the guidance. • reviewing and check that the Council's policy on MRP complies with statutory guidance • reviewing Council Committee and sub-Committee papers to check that full council has approved the annual Minimum Revenue Provision statement • checking that MRP has been calculated in line with the authority's policy on MRP • We will make appropriate follow-ups to the 23/24 action points we raised with management on the MRP calculations, judgements and assumptions. • assessing whether any changes to the authority's policy on MRP: <ul style="list-style-type: none"> a. have been discussed and agreed with those charged with governance b. have been approved by full council c. are adequately explained and evidenced d. comply with statutory guidance e. are in accordance with any legal or other professional advice obtained by the authority

Other risks identified

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Presentation and Disclosure	Council/Group	<p>Presentation and Disclosure – Financial Statement Level Risks</p> <p>The council's last unqualified opinion on the financial statements was in 17/18, and subsequent years up to 2023/24 were disclaimed (by BDO and Grant Thornton). In our 2023/24 financial statement audit, we raised a number accounting disclosures and presentation issues with the draft accounts, that were not adequately addressed by management.</p> <p>There is a risk that accounting transactions are not being appropriately presented and disclosed within the 24/25 financial statements.</p> <p>We therefore identified the presentation and disclosure of the financial statements a risk</p>	<p>We will:</p> <ul style="list-style-type: none"> consider the Authority's arrangements for preparing the financial statements and working papers; discuss with key group personnel, the underlying substance of the transactions and judgements made; critically assess the financial statements in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance; We will follow-up on the Cold Review Points and Manager review points that were not addressed as part of 24/25 audit.
Group Accounts	Group Accounts/Council	<p>The Authority is required to prepare group financial statements that consolidate the financial information of its wholly owned subsidiary undertakings. The Code of Practice requires a local authority to prepare group accounts if it has a control over one or more other legal entities. Based on the 23/24 Spelthorne Borough Council (the reporting authority) has two wholly owned subsidiary companies:</p> <ul style="list-style-type: none"> Knowle Green Estates Limited (KGE) - The purpose of the company is to hold investments in residential property around the borough. Spelthorne Direct Services (SDS), Incorporated on 29 June 2020. The purpose of the company is the collection, treatment and disposal of non-hazardous waste. <p>In our audit the Council's and Group accounts in 23/24, we were unable to establish whether the group arrangements and ascertain whether the consolidation was adequate. Furthermore, there a number of material misstatements that were not resolved and disclosures omissions from the Group Accounts.</p> <p>As part of the 24/25 accounts, we will need to understand the key agreements in place for the above mentioned subsidiary companies. We have therefore identified a potential risk of group accounts consolidation resulting in a risk of error.</p>	<p>We will</p> <ul style="list-style-type: none"> review the key agreements to gain an understanding of the agreements put in place on the establishment of the companies; discuss with key group personnel, the underlying substance of the transactions and the basis of the group's proposed accounting treatment of the arrangements; critically assess the economic substance of the transactions to assess the appropriateness of the accounting treatment adopted by the group in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance; review the Group structure of the Council; obtain and copy of the Group materiality assessment to be prepared by the Council; review the qualitative and quantitative materiality of the Council's subsidiaries in relation to the Council's operations. we will follow-up on the management briefing paper on the group arrangements and consolidation process raised in 23/24.

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Follow up of prior year recommendations

Included in an appendix to this report are our recommendations because of our external audit work in 2023-24. Given the timing of us concluding this work (January 2025) we have not yet undertaken a detailed follow up exercise. We are aware of the action plan the Council has prepared and the oversight of the action plan and throughout the year we will consider Council progress in implementing the recommendations agreed. Completion of certain recommendations will only be evidenced as we undertake our financial statement audit work at year-end.

04 Group Audit

Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Audit Scope	Auditor
Spelthorne Borough Council	Yes	Audit of the entire financial information of the component	Group auditor		Grant Thornton UK
Knowle Green Estate Ltd	Yes	Specific audit procedures	Group auditor		MGI Midgley Snelling LLP
Spelthorne Direct Services	Yes	Analytical Procedures	Group Auditor		MGI Midgley Snelling LLP

Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the group auditor
- Specific audit procedures designed by a component auditor
- Analytical procedures at group level

Involvement in the work of component auditors.

At this stage we are not planning to place reliance on the work of the component auditors. We plan to undertake our own testing on the material balances consolidated into the group position.

Fraud and litigation

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

05 Our approach to materiality

Our approach to materiality

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

Matter	Description	Planned audit procedures
01	Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"> We determine planning materiality in order to: <ul style="list-style-type: none"> establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements assist in establishing the scope of our audit engagement and audit tests determine sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"> An item may be considered to be material by nature when it relates to: <ul style="list-style-type: none"> instances where greater precision is required
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"> We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	Matters we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none"> We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council and Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £85k (PY £92m) for the Group and £80k (PY£85k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



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

Our approach to materiality

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

	Group Amount (£)	Council Amount	Qualitative factors considered
Materiality for the group/council financial statements	£1,709,000	£1,578,000	This benchmark is determined as a percentage of the Group’s Gross Cost of Services and the Council’s accounts (disclaimed 2023/24) Expenditure in year, which has been set at approximately 1.5% for the Group and 1.4% for the Council. Typically, for most District councils we audit, this benchmark is usually set at 2.5% for gross cost of services but for Spelthorne BC, due to a lack of assurance over the last 6 years (disclaimed accounts), and 24/25 being the second of audit, we have set this even lower at 1.5%. In addition, we have adjusted the gross costs of services and removed the impact of the fair value movement of investment properties.
Performance Materiality for the Council	£1,025,000	£947,000	Performance materiality is based on a percentage of the overall materiality. We have applied percentage at 60% in 2024-25, a lower percentage was used as we identified several misstatements in the Council’s accounts and quality of working papers, this will reduce performance materiality to an appropriately low level thereby lower the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Typically, our performance materiality for a district council would be 75% of headline performance materiality.
Triviality	85,000	£85,000	This balance is set at 5% of the overall materiality. We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance.
Materiality for Officer Remuneration disclosure	20,000	20,000	A lower materiality has been determined for the remuneration report to ensure sufficient audit coverage and to reflect the public interest in disclosures of senior officer remuneration. All errors identified will be evaluated against both quantitative threshold and qualitative considerations.



07 IT audit strategy

IT audit strategy

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

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

IT application	Audit area	Planned level IT audit assessment
Centros	Financial reporting	<ul style="list-style-type: none">We do not plan to test design and implementation of the ITGCs. We will seek to obtain an understanding of the IT general controls at the council
iTrent	Payroll	<ul style="list-style-type: none">We do not plan to test design and implementation of the ITGCs

09 Value for Money Arrangements

Value for Money Arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



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.

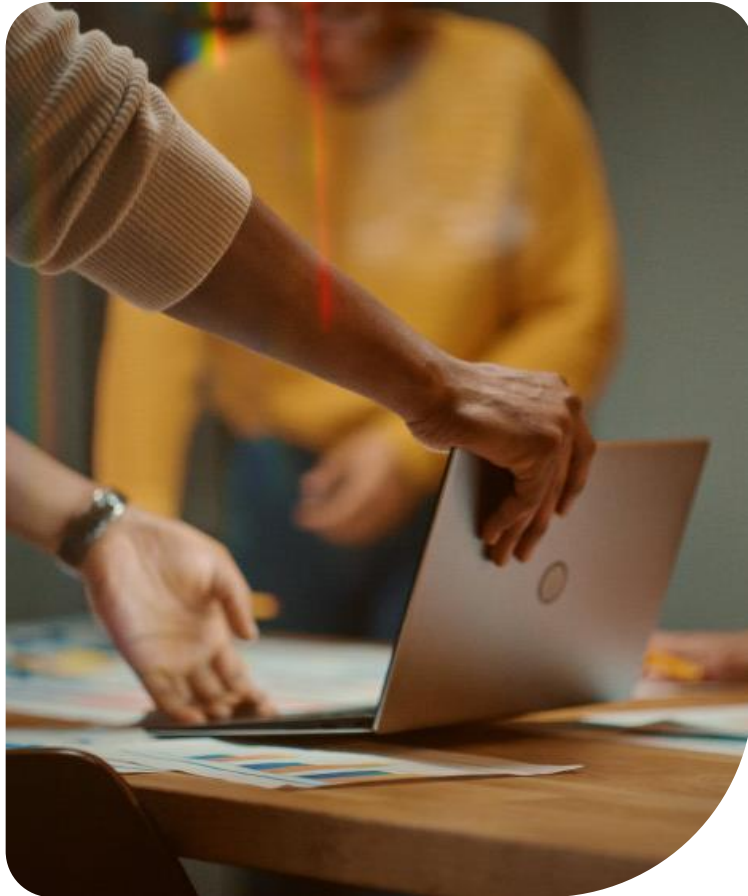


Improving economy, efficiency and effectiveness

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



Risks of significant VFM weaknesses



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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Council’s VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor’s work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	R	Setting and delivering a balanced budget. Identifying savings plans to close gaps within the Medium Term Financial Plan.	Three significant weaknesses in arrangements identified in 23/24 due to: inadequate medium term financial planning; insufficient plans to address future budget gaps and inadequate management of financial risk.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists. This will focus on: <ul style="list-style-type: none">Review of the arrangements over medium term financial planning.Review plans to address future budget gapsReview of the arrangements over the financial and risk management
Governance	R	Ensuring adequate governance at the council. Transparency over decision making and appropriate reporting of financial position and risks to committees.	Three significant weaknesses in arrangements identified in 23/24 in relation to decision making and scrutiny, risk management and governance relating to subsidiary undertakings and maintaining appropriate standards.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists. This will focus on: <ul style="list-style-type: none">Review of arrangements in respect of decision making and scrutinyReview of arrangement over the risk management and governance of the subsidiaries.
Improving economy, efficiency and effectiveness	R	Ensuring the Council has adequate processes in place for achieving efficiency, effectiveness and economy .	Three significant weaknesses in arrangements identified in 23/24 in relation to use of financial and performance information, a failure to secure improvement following an external Review, and a failure to deliver efficiency/performance improvements when managing significant outsourced contracts.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists. This will focus on: <ul style="list-style-type: none">Review of arrangements in place over use of financial and performance informationReview of arrangement s for achieving efficiency and performance when managing significant outsourced contractsReview of the Council’s workforce plan.

The Council had a Best Value Inspection during the 2024/25 financial year and the findings were published on the 17th of March 2025, with the Minister looking to appoint Commissioners. We will review the Best Value Report outputs as part our value for money work including recommendations. At the time of drafting this report, we (Grant Thornton), were in the process of considering Statutory Recommendations following on from the 23/24 value for money review.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor’s annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor’s Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor’s Report and included within our audit opinion.

- G

No significant weaknesses in arrangements identified or improvement recommendation made.
- A

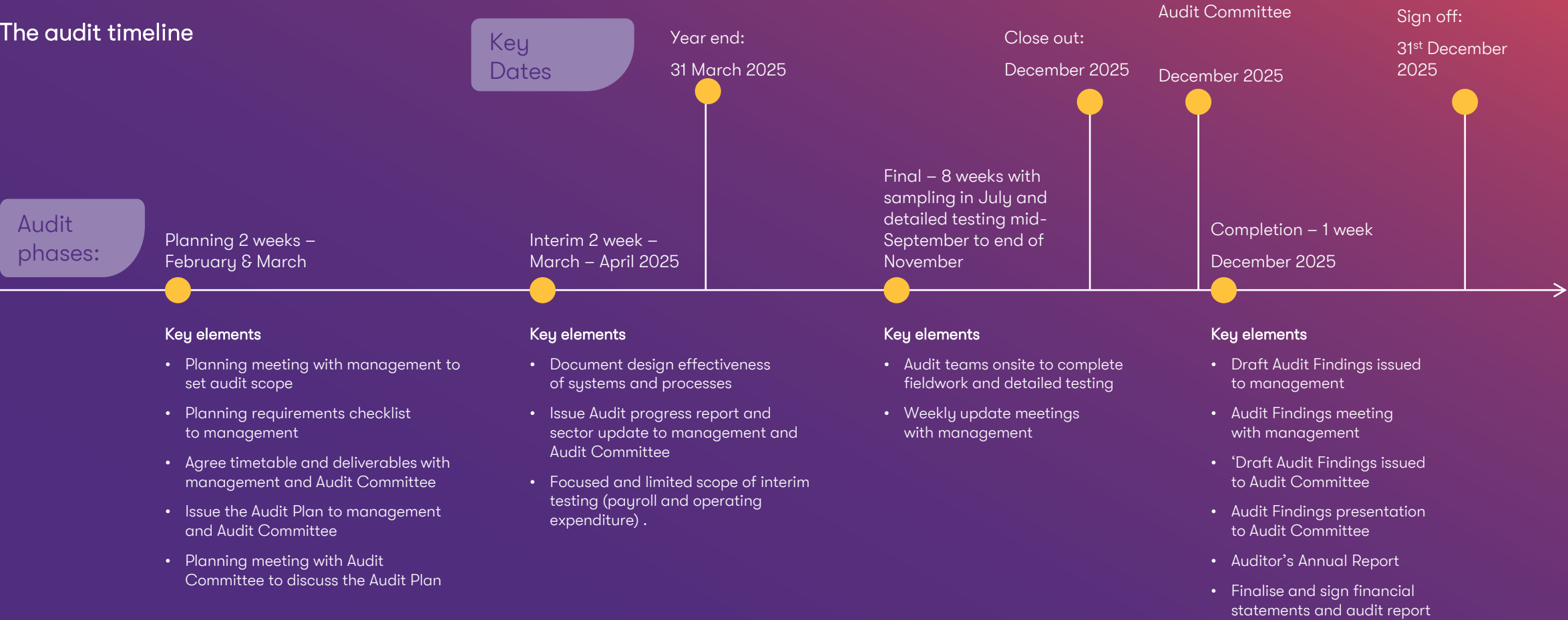
No significant weaknesses in arrangements identified, but improvement recommendations made.
- R

Significant weaknesses in arrangements identified and key recommendations made.

10 Logistics

Logistics

The audit timeline



Our team and communications

Grant Thornton core team

Joanne Brown
Engagement Lead/
Key Audit Partner

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

Keith Mungadzi
Audit Senior Manager

- Audit planning
- Resource management
- Performance management reporting

Kristin Li
Audit Team Leader

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

Auditors Expert: As part of the 24/25, we will engage an external professional expert within the field of property plant and equipment and investment property valuations. The auditor’s expert will review the council’s annual valuation (assumptions and inputs and source data)

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

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.

11 Fees and related matters

Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

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

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Spelthorne Borough Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £222,275.

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

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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

Updated Auditing Standards

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

Our fee estimate:

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

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements

Company	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Council Audit Scale Fee	205,556	222, 275
Quality of accounts and Other issues	£10,000	tbc
Auditor's Expert 24/25	£19,000	tbc
ISA Group 600		tbc
Reduced Materiality	7,000	
IFRS 16 Implementation		tbc
ISA 315	9,530	tbc
Total (Exc. VAT)	£251,086	tbc

- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Revaluation of Property, Plant and Equipment and Investment Property.
 - Measurement of the defined pension liability.
 - Minimum Revenue Provision
 - Measurement of the impairment of loans.
 - Financial instrument disclosures.
 - Measurement of the Non Domestic Rates appeals provision.

Previous year

In 2023/24 the scale fee set by PSAA was £205 556. The actual fee charged for the audit, was £251,086. This final fee was subject to PSAA approval at the time of drafting this report.

In February we disclaimed the council's 2023/24 financial statements under the government's backstop and due to lack of records, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise.

12 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 and network firms. In this context, we disclose tat there are no matters that we are required to report

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

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

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

We confirm that there are no significant facts or matters that impact on our independence at planning 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.

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

Fees and non-audit services

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

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

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Spelthorne Borough 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 that is detailed in the table below.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefits Grant return	*39,595	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £39,595 in comparison to the total fee for the audit of £222,275 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.

*The Housing Benefit fee is the core fee and there is an additional daily rate of £1,500. The number of days varies dependent on the amount of additional testing required. The above fee for the housing benefit is based on the provisional fee agreed with management to undertake the initial testing of the 23/24 subsidy form. The 24/25 fee has not been set yet.

There are no other non audit services.

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

13 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
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		●
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		●

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

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

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

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.

14 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

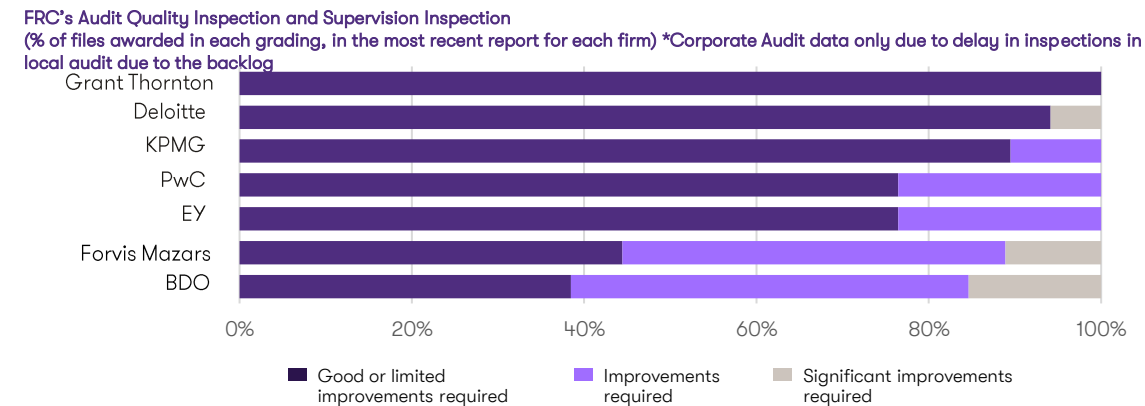
We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



15 Appendices

Prior year audit recommendations

Assessment	Issue and risk previously communicated
●	<p>Quality of working papers and clarity of the audit trails.</p> <p>We recommended that the Council</p> <ul style="list-style-type: none">• Review the process used to produce the year end accounts and identify areas where further improvement needs to be made• Ensure that all disclosure have supporting working papers and there is a clear mapping between the general ledger and the financial statements• Ensure detailed transaction listing agree to financial statements and cleansed listings are provided. <p>Management Response</p> <p>We agree to review, ahead of the year end, our year end accounts processes, we will ensure all disclosures have supporting working papers with clear mapping, and detailed transaction listings agreeing to financial statements are provided.</p>
●	<p>Review of financial statements</p> <p>We recommended that the Council</p> <ul style="list-style-type: none">• Develop a year end timetable for the production of the accounts which include sufficient time for management review.• Utilises the CIPFA checklist to ensure that disclosures are complete and produced in line with code requirements.• Officers review the requirements of the CIPFA code and any changes pertaining to the year under audit.• Officers engage early with external audit, to discuss any matters that have significant financial implication for the council, such as any significant disposals, additions, or unusual accounting transactions, etc 24/25 <p>Management Responses</p> <ul style="list-style-type: none">• We agree to the recommendations. Drafting of a year end timetable is underway, with a complete timetable to be ready by the end of January. We will engage early with the external auditors on any significant issues.

Key:

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

Assessment	Issue and risk previously communicated
●	<p>Bank Reconciliation Process and Cash and Cash Equivalent</p> <p>We recommended that the Council:</p> <p>Perform a review of the bank reconciliation process to simplify the bank reconciliation process and review and clear all old and out of date reconciling items and ensure that amounts included in the reconciliation and the ledger are valid cash items.</p> <p>Management Response:</p> <p>We agree to the recommendations. A review of the reconciliation process is being undertaken to simplify the process. This will be done by the end of March, we are in the process of closing bank accounts that are not required and moving balances to one General Ledger code to simplify the main bank account reconciliation. After that, there will be two reconciliation to do for two bank accounts (Main & Assets Accounts)</p>
●	<p>Journals and quality of audit evidence</p> <p>We recommend that the Council:</p> <p>Review their arrangements for journals posted and ensure policies are updated appropriately to reduce the risk of error or incorrect posting of journals. This could be through ensuring people approving the journals understand the purpose of the journal and audit evidence and explanations are provided.</p> <p>Management response.</p> <p>We agree with the recommendations and will improve training to the accountants - Mid February</p>
●	<p>Accounting for Pooled Investment Funds</p> <p>We recommend that the Council:</p> <p>Management need to undertake a review of its pooled investment and consider the classification of the pooled investments as to whether they come under the scope of IFRS9.</p> <p>Management response.</p> <p>We agree to the recommendation, however it should be noted that since a decision by Council in October 2024, the Council has been drawing down its pooled funds with the majority of funds now closed with only fund (value of £2.5m currently showing a £370k valuation gain) likely to be still open at 31/3/24 before it is closed in summer of 2025. This will mitigate the impact of IFRS9 on the Council. Moving forwards, we will not have any pooled funds to review.</p>

Assessment

Issue and risk previously communicated



Commercial Rental Income

We recommend that the Council

The Council needs to put in place appropriate arrangements for the ensuring commercial rental income is accounted for in line with prevalent accounting standards.

- Ensure appropriate review of commercial income operating leases (as lessor) and determine impact on revenue recognition.
- Ensure the Council updates its accounting policies for operating leases (as lessor) in line with the relevant accounting standard.
- Ensure it undertakes a leases audit or review to identify the key information to comply with the requirements of IFRS 16.
- Ensure there is a consolidated schedule or working paper folder that summarizes information within the commercial rents income (including lease incentive adjustments, rent reviews etc) and income recognized in year of audit, to facilitate audit being able to audit the information in a timely and efficient manner
- Assess the impact of IFRS 15 for those contracts with customers not under scope of lease income i.e. any applicable service charges and other income

Management response

The Finance team started accounting for lease incentives in the 2023/24 accounts and included backdated adjustments for prior years to the 2023/24 financial year. We agree to the recommendations, but we have provided evidence of revenue recognition in line with relevant accounting standards.

Assessment



Issue and risk previously communicated

IFRS 16 Implementation

We would recommend the Council,

reverse its work on IFRS 16 and undertake a detailed review in 24-25, in the year, the CIPFA code expects all Local Authorities to implement the new accounting standards. In preparation for the audit of leases accounted for under IFRS 16 the Council may need to reviewed the following:

- identified all leases within the public sector adaptation of IFRS 16 where they are a lessee (this includes peppercorn rentals)
- identified all leases within the public sector adaptation of IFRS 16 where they are a lessor
- identified all leases where they are an intermediate lessor and reassessed whether they are operating or finance leases using the period and value of the head lease rather than the life and value of the underlying asset in the assessment
- the following information for each lease:
 - unique reference
 - location of lease documentation
 - description and class of underlying asset
 - initial cost of right of use asset, commencement date of lease
 - expiry date, non-cancellable /enforceable term
 - options to extend (when, cost, likelihood to be applied)
 - options to terminate (when, cost, likelihood to be applied)
 - payment pattern(e.g. advance /arrears, monthly /quarterly/ annual)
 - residual value guarantee if any, initial direct costs
 - lease incentive amount, upfront payments, estimate of rehabilitation costs (dilapidation provision)
 - interest rate implicit in the lease / council incremental borrowing rate
 - any non -lease components, rent review dates, lease modifications

We recommend the Council reverses its 23-24 IFRS 16 entries and look to implement this in 2024-25 in line with most public sector bodies.

Management response.

We agree to the recommendations to add disclosure notes .

Assessment

Issue and risk previously communicated



Group Accounts (Consolidation Process and Accounting Disclosures)

We would recommend the Council,

- Management should review and address the findings in our review of the 23/24 financial statements. These matters should be addressed prior to completion of the 24/25 financial statements, with responses shared with the auditors on expected treatment of each of the issues identified to avoid these issues being rolled forward into 25/26 financial statements unaddressed. This will facilitate a smooth and efficient audit group accounts preparation and audit process. We have set for this action to be addressed by March 2025.

Management response.

We agree to the recommendation. Chief Accountant will address in 2023-24 Draft Statement of Accounts by the end of February 2025.



Single Entity and Group Accounts (Agreements and Accounting)

We recommend that the Council

- Management should review our briefing paper and provide responses to our queries as to whether the Council has appropriately considered the accounting treatment of transactions between the Council and its subsidiaries including evidence to support the entries. There may potentially be complex arrangements and accounting considerations not being appropriately reflected within its agreements. We would prefer a set of responses to be provided to us by March 2025.

Management response

We agree to the recommendation (note the typo in the recommendation) to be completed by end of February 2025.

Assessment	Issue and risk previously communicated
●	<p>Collection Fund (Business Rates and Council Tax)</p> <p>We recommend that the Council.</p> <p>We recommend that the Council undertake a review of its collection fund workings for 23/24 (and potentially prior years). There needs to be adequate reconciliation undertaken between the system and the general ledger and collection fund entries disclosed in the accounts. Collection Fund workings should follow, guidance as per the Code. In addition, we recommend, provide information pertaining to reliefs applied to accounts in a timely manner.</p> <p>Management response.</p> <p>The Council has taken steps to strengthen its Collection Fund Account monitoring bringing a sector expert who will support the in-house team on a one day a week basis during 2025, with a remit to improve monitoring, improve working papers and build internal expertise and resilience .</p>
●	<p>Property Plant and Equipment and Investment Property Valuations</p> <p>We recommend that the Council</p> <p>Following on from the above issue, undertake a full review of its assets in the FAR and confirm their existence (this work should be documented to enable audit trail and follow-up). In addition, we recommend the Council undertakes a full review of its assets in 24/25 for both the Council and Group assets (including reviewing and addressing our findings from our review of their valuations of Investment Properties and Property Plant and Equipment) to ensure these matters are appropriately addressed and to help facilitate timely report and an efficient audit.</p> <p>Management responses:</p> <p>We agree to the recommendation. To assist in addressing improvements to the Fixed Assets Register the Finance team will revert to progressing, as a matter of urgency, the procurement and implementation of a Fixed Assets software.</p>

Assessment

Issue and risk previously communicated

Fixed Asset Register

We recommend that the Council

- Establish a process to perform an annual review of assets to ensure that all disposals and reclassifications are amended
- Establish an in-year process for capital movements to be notified on a timely basis to the finance team to ensure the fixed asset register is maintained accurately. This should be reconciled to the accounts as part of the year end closed own procedures.
- The Council should review its FAR and determine whether it is fit for purpose, and ensure its layout is appropriate. The FAR provided for audit was on spreadsheet, and therefore it was unclear what controls exist over the data (i.e. who can amend and change data).
- Council should review its FAR revaluation reserves and impairments and ensure those are appropriate and no negative Revaluations Reserves exist
- A regular process should be put in place for ensuring the FAR is kept up to date, including a process for updating for additions and disposals occurring during the year.
- Review the accounting treatment of properties bought on behalf of another party or parties or Asset Under Construction being built on behalf of another party and the business rationale (i.e. is it for service provision or investment income, surplus asset, or is it for specific purchase and sale or other reasons).

Management responses:

We agree to the recommendation. To assist in addressing improvements to the Fixed Assets Register the Finance team will revert to progressing, as a matter of urgency, the procurement and implementation of a Fixed Assets software.

Assessment	Issue and risk previously communicated
●	<p>Accounts Receivable (accounting for Q4 billing and Lease Incentives)</p> <p>We recommend that the Council</p> <p>The Council should undertake a detailed review and assessment of its commercial leases and appropriately adjust income in line with the requirement of the standard and corresponding debtor is reflected on the balance sheet through out the length of the lease.</p> <p>The Council needs to put in place robust arrangements at year end to ensure receivables or deferred income on the council’s balance sheet is fairly stated and ensuring the Council’s cash position is correctly adjusted for.</p> <p>Management Comment</p> <p>We agree with the recommendations.</p>
●	<p>Accounts Receivables and Accounts Payable Listings</p> <p>We recommend that the Council</p> <ul style="list-style-type: none">• Perform review of the debtor and creditor account codes to ensure that balances are appropriate and valid and clear those that are not.• As part of working papers provided to the audit team, debtors and creditors provided for audit should have a detailed transaction listing supported with clear audit trails to avoid delays.• Establish a reconciliation process for all debtors and creditor accounts to ensure the balances are fully supported and valid debtors or creditors (removal of in year balances not impacting the closing balance)• Account Codes should be reviewed and ensure they valid debtors and creditors at year end and appropriate reconciliations done to ensure the GL and Control Accounts reconcile. <p>Management response</p> <p>We agree with the recommendations.</p>

Assessment

Issue and risk previously communicated



Minimum Revenue Provision

- Management provide a briefing paper to audit, including evidence of the advice and associated reports and information provided by their adviser (Arlingclose) historically and currently (at present) including management's review of the outputs, clearly setting-out their own judgement and rationale for the key assumptions and inputs. This analysis clearly document the MRP applied on an asset by asset level and why it deems this appropriate and prudent.
- We recommend this information be shared with members, for them to be informed of the key judgements and assumptions management are making and overall impact to the financial sustainability of the Council.
- A clear review of the asset lives adopted by the Council within its MRP calculations from a qualified professional and how these align to the Council's asset strategy and current MRP asset lives.
- Undertake a sensitivity analysis of applying different inputs and assumptions to the MRP model and expected impact and provide explanations on why the current inputs/assumptions are appropriate.
- Resolve the Fixed Asset Register issues noted in this report and inconsistencies in AUC – which are not being charged MRP as per the policies adopted.
- Assess the impact of not currently AUC currently delayed or being disposed off (originally acquired via borrowing).
- Assess the impact of not charging MRP for loans advanced to third parties and subsidiaries for capital purpose.
- Provide the workings and any advice provided by Arlingclose on the over-provision applied in 21/22 being recovered in future years.
- Consider reviewing and assessing the impact of the new MRP guidance that will come into effect from 1st April 2025.

In addition to the MRP policies adopted by the council being shared with members on an annual basis, management should provide greater details for members on the key inputs and assumptions driving the MRP calculations for the Council and provide the profiling of expected General Fund impact for future years and income projections from associated investments underpinned by robust projections and assumptions.

Management Comment:

- We agree to the recommendations- more information will be provide on MRP in future for councillors.. Given that the Council in line with one of the options under the guidance is using the annuity method and that the Council's debt was all taken out relatively recently mainly in the period 2016-18 it is not surprising that at this stage the annual MRP percentage is below 2% but under the annuity method it increases each year and ensures ultimately the full MRP is made. Whilst correct that MRP in future years will be greater at the same interest payments (particularly given rate of interest is fixed) will fall so the two elements broadly balance each other out. Arlingclose have been working with the Finance team to complete a MRP review.

Assessment

Issue and risk previously communicated



Trade Payables

Arrangements should be put in place to review balances on the Council's general ledger that have been rolled forward for a number of years and ensure these are matched to subsequent payments or appropriately cleared.

Management response.

We agree with the recommendations

Escalation Policy



The Backstop

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

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

Escalation Process

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

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

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

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

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

Step 3 - Escalation to Chief Executive (within one month of deadline)

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

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

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

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

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

Aim

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

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. 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.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

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

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

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

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

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

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

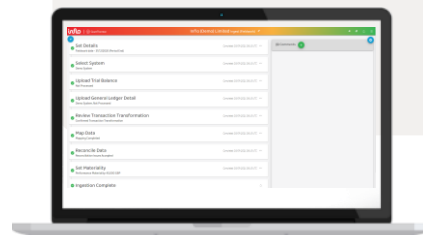


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

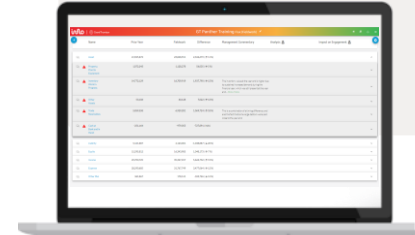


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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