Audit Findings (ISA 260) Report for Spelthorne Borough Council

Year ended 31 March 2025

January 2026

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5 January 2026

Dear Members of the Audit Committee

Audit Findings for Spelthorne Borough Council for the year ended 31 March 2025

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

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Chartered Accountants

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2024-.pdf (grantthornton.co.uk).

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

Joanne Brown

Partner
For Grant Thornton UK LLP

Contents

Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Spelthorne Borough Council (the 'Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

In 2023/24, we commenced the audit of Spelthorne Borough Council, after five years of disclaimed (unaudited) financial statements by your predecessor auditors. We also disclaimed the audit opinion in 2023/24 as the financial statements lacked complete and accurate supporting evidence. There were several financial statement balances that we were unable to get assurance over due to poor or missing audit evidence or lack of response to our audit queries within the audit timeframe. Our 2023/24 Audit Findings Report included recommendations for the Council to implement which would facilitate the completion of more substantive audit testing with the aim of providing more assurances over transactions and balances in 2024/25.

We recognise that having such a long period of time without a full audit and unqualified opinions means recovery will take some time, particularly given that we have no assurance over opening balances or reserves. The Council has responded well to our previous year recommendations and has been working at strengthening accounting, account closedown and financial statement preparation processes.

The Council has made improvements to its working papers supporting the financial statements, for example, improvements made to the fixed asset register and enhancing accounting trails to enable us to select balances for testing. There is still more work to be completed, such as implementing the revised Minimum Revenue Policy, completing work on the Capital Financing Requirement and further strengthening working papers and audit trails for collection fund debtors, creditors and business rate reliefs, but the Council is on a positive trajectory. There has been an improvement in the quality of the financial statements presented to audit, but we have still identified a lot of presentational adjustments which we would have expected to have been identified by the Council's internal review processes.

We have noticed an improvement in the engagement of the finance team and the timeliness of responses to our queries and requests for further information. As a result, we have been able to complete more substantive audit testing than in the previous year.

Recognising the scale of the Council's position and the lack of external audit scrutiny in prior years, the journey to recovery will not be easy. Our goal is to continue to work closely with officers over the next two years to develop a programme that supports assurance, going into the new unitary, whilst recognising the time period, to build back assurance alongside capacity within the finance team. We would like to acknowledge the efforts of officers and staff who contributed to the 2024/25 financial statements audit.

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Spelthorne Borough Council (the 'Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

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

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

The Council provided us with its 2024/25 draft financial statements on 16 September 2025 in line with the revised timetable agreed with us. The draft financial statements provided at this time did not contain the group financial statements as management were still considering whether given the size of the companies that group financial statements will be required. Management concluded that group financial statements are required, but as at 22 December 2025 we have not been provided with the group financial statements. We have therefore not completed work on the group financial statements and have focussed our efforts on ensuring that we complete as much substantive testing as possible on the single entity statements in the time window.

Our testing took place from mid September to 19 December 2025. Our findings to date are summarised on pages 13 to 63. Proposed adjustments are set out on pages 43 to 51. During the course of our work, we have also raised five recommendations for management, which are set out on pages 52 to 54, with follow up of our prior year's audit recommendations detailed at pages 55 to 63.

Owing to the challenges of undertaking an audit where the previous years' audits were subject to backstop-related disclaimed audit opinions, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 28 February 2026. The limitations imposed by not having assurance on opening balances and reserves mean that we will be unable to form an opinion on the financial statements.

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

Headlines

Value for money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report which was presented to the 21 October 2025 Audit Committee. We identified significant weaknesses in the Council's arrangements so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report page 65.

Headlines

Statutory duties

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

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

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

We have completed the majority of work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until the NAO confirms that the group audit for Whole of Government financial statements has been certified and that no further work is required by local government auditors to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.

Significant matters

The Council has improved the quality of accounting trails this year and we have undertaken more testing than in the previous year. However, we have been unable to test collection fund debtors and creditor balances and business rate reliefs as the appropriate account level reports were not run on 31 March 2025.

The Council will need to complete its review of the Capital Financing Requirement and explain and correct the £17.6m difference between the Capital Financing Requirement and the associated balance sheet calculation.

Headlines

National context – audit backlog

Government proposals around the backstop

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

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

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

Headlines

National context – local audit recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued. This was due to Grant Thornton being unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Council's and group's financial statements for the year ended 31 March 2024 as a whole are free from material misstatement. In addition, as a result of the limitations imposed by the previous backstop date, 13 December 2024, we were unable to obtain sufficient appropriate audit evidence that the corresponding figures included in the financial statements for the year ended 31 March 2024 were free from material misstatement. We were therefore unable to obtain sufficient appropriate evidence over the corresponding figures or whether there was any consequential effect on the Council and Group Comprehensive Income and Expenditure Statements for the year ended 31 March 2024 for the same reason.

Furthermore, we identified significant control deficiencies in the Council's financial accounting and record keeping. This related to reconciliations of cash balances and the fixed asset register and underlying asset listings to the financial statements. The lack of adequate working papers and supporting reconciliations in these areas meant that we were unable to gain sufficient assurance that the associated entries in the Council's trial balance and within the financial statements were reasonable and fairly stated.

As a result, for 2024/25:

- we have no assurance over the opening balances for 2024/25;
- no assurance over the closing reserves balance also due to the uncertainty over their opening amount.

Our aim for the 2024/25 audit has been to continue rebuilding audit assurance. Our focus has been on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances.

On 5 June 2025 the National Audit Office (NAO) published its "Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06" for auditors which sets out special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. The key messages outlined within this guidance include rebuilding assurance through:

- tailored risk assessment procedures for individual audit entities, including assessments over risk of material misstatements of opening balance figures and reserves;
- designing and performing specific substantive procedures, such as proof-in-total approach;
- special considerations for fraudulent reporting, property, plant & equipment, and pension related balances.

We will discuss with you our strategy for rebuilding assurance, in the light of this year's audit, as part of our planning for 2025/26.

Headlines

Implementation of IFRS 16

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

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

Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

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

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

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

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

Impact on the Council

As part of the 24/25 financial statements preparation, the Council had to consider the following:

- whether the standard had a financial material impact upon the statements; accounting policies and disclosures;
- application of judgment and estimation;
- related internal controls that required 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.

Management have undertaken an IFRS 16 assessment in 2024/25 and concluded the impact is material for the Council. Our testing to date has not identified any issues with the Council's arrangements and processes for identifying and accounting for all arrangements that contain the right of use of assets.

Group audit

Group audit

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.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status
Spelthorne Borough Council	Yes			Grant Thornton UK	Joanne Brown (KAP)	The work completed on the Council audit is included throughout this report.
Knowle Green Estates Limited	Yes			MGI Midgley Snelling LLP	Tracey Wickens (KAP)	We were not provided with the group financial statements during the audit period. Therefore, we have not undertaken any testing on Knowle Green Estates Limited financial statements. There are material assets within Knowle Green Estates Limited financial statements that would need consolidating within the group financial statements.
Spelthorne Direct Services	No			MGI Midgley Snelling LLP	Tracey Wickens (KAP)	There are no material balances included within Spelthorne Direct Services audited 2024/25 financial statements. As a result, on the grounds of materiality Spelthorne Direct Services do not need consolidating into the group financial statements.

Scope	Audit of entire financial information of the component by the group audit team
Scope 2	Specific audit procedures designed by the group auditor (specific scope)
Out of scope	Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated May 2025, we determined materiality at the planning stage for the Council as £1,578k based on 1.5% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. We have updated our materiality to £2,595k based on 1.5% of your 2024/25 gross expenditure.

A recap of our approach to determining materiality is set out below. In the absence of the group financial statements, we did not set a group materiality.

Basis for our determination of materiality

- We have determined materiality at £2,595k based on professional judgement in the context of our knowledge of the Council. We have used gross expenditure as the benchmark for materiality due to the key users of the financial statements including the population of Spelthorne Borough Council and central government are more focussed on service delivery. The levels of expenditure is the most significant financial element that would indicate the level of services being provided.
- We have used 1.5% of gross expenditure as the basis for determining materiality. This is below the 2.5% cap for a Council that spends less than £500m.

Performance materiality

- We have determined performance materiality at £1,557k, this is based on 60% of headline materiality. Typically, our performance materiality for a district council would be 75% of headline performance materiality.
- We considered the fact the Council’s last 5 period of financial statements have been disclaimed and the financial statements preparation process/environment at the Council.

Specific materiality

- Due to the sensitivity of senior officer remuneration we have set a £20k threshold for these balances

Reporting threshold

- We will report to you all misstatements identified in excess of £130k, in addition to any matters considered to be qualitatively material.

Our approach to materiality

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

	Council (£)	Qualitative factors considered
Materiality for the financial statements	2,595,000	This benchmark is determined as a percentage of the Council's draft gross expenditure for 2024/25, which has been set at approximately 1.5% for the Council. Typically, for most district councils we audit, this benchmark is now set at 2.5% for gross cost of services. We have set a lower threshold for Spelthorne Borough Council due to disclaimed audits in the last 5 years.
Performance materiality	1,557,000	Performance materiality is based on a percentage of the overall materiality. We have applied percentage at 60% in 2024-25. Typically, our performance materiality for a district council would be 75% of headline performance materiality.
Reporting threshold	130,000	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.
Specific materiality for senior officer remuneration disclosures	20,000	Lower level of materiality has been set as this is considered a sensitive item within the financial statements.

Overview of significant and other risks identified

Overview of audit risks

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

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

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

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	🟢
The revenue cycle includes fraudulent transactions	Significant	↔	✓	Low	🟢
The expenditure cycle includes fraudulent transactions	Significant	↔	✓	Low	🟢
Valuation of the Net Pension Fund Liability	Significant	↔	✗	High	🟢
Valuation of the Council's Land and Buildings and Investment Properties	Significant	↔	✗	High	🔴
Minimum revenue Provision	Significant	↔	✗	High	🔴
Presentation and disclosure	Other	↔	✗	Low	🔴
Group financial statements	Other	↔	✗	Low	🔴

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

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

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of their spending, and this could potentially place management under undue pressure in terms of how they report performance. 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.	We have undertaken the following work: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determine the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft financial statements stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	A significant number of the journals we selected, were year end journals and posted manually. This is not unusual, as we would expect management to post year end accruals and large Property, Plant and Equipment and Investment Property revaluation adjusting entries in preparing the financial statements. Based on the review of evidence received and reviewed by the audit team for 47 journals, the quality of evidence to support the sampled journals has improved from the prior year. For all the journals sampled we were able to obtain evidence that these had been subject to review and approval by a separate officer to the preparer of the journal. One of the journals selected for testing we failed as the accounting treatment was incorrect. The journal recognised a grants received in advance of £3,850k, but the cash wasn't received by the Council until April 2025. An adjustment was therefore required to reverse the grants receipts in advance and the corresponding debtor balance. Management has made the appropriate correction. We are satisfied that this was an error rather than an attempt by management to override controls.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. The council has a significant income stream from commercial properties and based on the disclaimed financial statements for 23/24, rental income was £53m. 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. We have therefore, not rebutted this presumed risk that revenue may be misstated due to improper recognition for commercial rents and sales and charges.	We have undertaken the following work: • evaluated the Council's accounting policy for recognition of income from investment properties, fees and other charges for appropriateness; • gained an understanding of the Council's system for accounting for income from commercial income, sales and other charges, and evaluate the design of the associated controls; • agreed on a sample basis, amounts recognised as income from investment rents, fees and other charges in the financial statements to supporting documents; • tested the completeness of revenue within the 2024/25 financial statements; and • tested the associated trade receivables or debtors pertaining to investment rents and other sales and charges.	Our sample testing of fees and charges and investment income has identified one misclassification of £2.99m. At the beginning of 2024/25, the Council had £8.4m of Covid-19 related grants residing within the creditor balance. The Council has reviewed this balance in line with our prior year findings and returned £5.5m to the government in the year which left a £2.99m balance that the Council are able to classify as income. The Council has coded this as fees and charges income rather than grant income. The Council has made the appropriate amendment.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in expenditure recognition Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure. We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper expenditure recognition 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 2023/24 statements noted instances of expenditure which was being inappropriately capitalised. The Council in 2024/25 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. 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 2024/25. Therefore, if the Council were to fraudulently recognise expenditure, we believe it would be through the inappropriate capitalisation of revenue items.	We have undertaken the following work: • evaluated the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code; • updated our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls; • agreed on a sample basis relevant expenditure and year end payables and accruals to invoices or other supporting evidence; • sample tested 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; • evaluated the Council's accounting policy for capitalisation of expenditure for appropriateness and compliance with the Code; • updated our understanding of the system for accounting for the capitalised expenditure and evaluate the design of associated processes and controls; and • agree on a sample basis relevant capital expenditure to invoices or other supporting evidence, to confirm it is capital in nature.	We have not identified any material adjustments or findings in relation to the understated expenditure balances. We are satisfied that the capitalised expenditure meets the requirements of the accounting standards.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability 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. 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. 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.	We have undertaken the following work: • updated 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; • evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities; • tested 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; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Surrey County Council pension fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements.	The IAS19 report for 31 March 2025, showed the Council was in a net asset position (as opposed to a net liability). In a net asset position, management had to consider the requirements of financial reporting standard IFRIC 14. The Council requested the actuary to provide an asset ceiling calculation in line with the accounting standards. This calculation reduced the net asset of £13,507k back to a net liability of £10,461k. We have reviewed and tested the actuarial calculation and are satisfied that this is fairly stated. We identified that the inflation rate of 3.20%, rate of salaries increase of 3.9% and increase in pensions 2.9% within the financial statements do not agree to the actuary report. The actuary report stated pensions and inflation increase of 2.8% and salary increase of 3.8%. There are also differences on the prior year disclosure. The Council has agreed to update the financial statements to agree with the actuary report. The disclosure of estimation uncertainty in note 4 of the financial statements required enhancing to include the value of the net pension asset and the asset ceiling.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings and investment properties The Council has significant property plant and equipment and investment properties. The following are based on the disclaimed 2023/24 financial statements: • 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. These valuations 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 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. We therefore identified valuation of land, buildings, including Investment Properties assets, as a significant risk of material misstatement.	We have undertaken the following work: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • confirmed the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by management to their valuer; • challenged the categorisation of assets to ensure the valuation methodology applied is appropriate for the asset; • assessed the value of a sample of assets in relation to market rates for comparable properties; • tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; • evaluated 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.	Our testing in this area is continuing. There are queries with the valuers that are not yet resolved. There is one material finding to date. The asset Knowle Green West Wing asset was leased to Knowle Green Estates Limited with the risks and rewards of ownership transferred to the subsidiary. The asset was correctly de-recognised from the Council's financial statements as per the accounting standards. This asset was revalued in 2024/25 and a revaluation gain of £9.9m incorrectly included in the Council's financial statements rather than the subsidiary accounts. This transaction needs to be reversed.

Significant risks

Risk identified	Audit procedures performed	Key observations
Minimum Revenue Provision The Council's Capital Financing Requirement as at 31 March 2024 was £1.2bn. The Council's minimum revenue charge for 2023/24 was £12m. 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. MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund. 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.	We have undertaken the following work: • tested that the council has appropriately calculated its Capital Financing Requirement (CFR); • tested that the Council is correctly identifying capital expenditure subject to MRP charge in line with the guidance; • checked that the Council's policy on MRP complies with statutory guidance; • ensured that full council has approved the annual MRP statement; • verified that MRP has been calculated in line with the policy; • followed up the 203/24 action points we raised with management on the MRP calculations, judgements and assumptions; • assessed whether any changes to the Council's policy on MRP have been: i. discussed and agreed with those charged with governance ii. approved by full council iii. are adequately explained and evidenced iv. comply with statutory guidance v. are in accordance with any legal or other professional advice obtained by the Council.	We have concluded that the MRP Policy and charge applied in 2024/25 is not prudent due to the following: • The MRP charge is based on standard asset lives of 50 years without input from registered valuers. The MRP calculation needs to reflect shorter asset lives of 15 to 25 years. • The calculations omitted MRP on the loans to the Council's subsidiary. • The Council has calculated MRP on an annuity basis for all categories of expenditure, which does not reflect the pattern of economic benefit that the Council currently obtains from rental income and changes in the market value of commercial properties. The Council should calculate MRP on a straight-line basis for Investment Property and on an annuity basis for other asset types. • Our check of the Capital Financing Requirements closing balance of £1,152,623k against the Council's balance sheet identified a difference of £17.6m. Management are still working through the difference. The Council are aware of the above issues and have agreed changes to the MRP Policy Statement which was approved at the November 2025 Full Council meeting.

Other risks

Risk identified	Audit procedures performed	Key observations
Presentation and disclosure 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 financial statements, that were not adequately addressed by management. There is a risk that accounting transactions are not being appropriately presented and disclosed within the 24/25 financial statements. We therefore identified the presentation and disclosure of the financial statements a risk.	We have undertaken the following work: • reviewed the Council's arrangements for preparing the financial statements and working papers; • discussed with the finance team, the underlying substance of the transactions and judgements made; • critically assessed the financial statements in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance; • undertaken a technical review of the draft financial statements.	Management have increased the checks and review of the draft financial statements. Our review of the disclosures continues to identify presentational misstatements. The key areas of weakness are as follows: • Late adjustments to the financial statements did not feed through to the cash flow statement. • An in year adjustment of £12m was made to correct the classification of the Summit Centre from an Investment Property to Other Land and buildings. However, as the amount was material a prior period adjustment should have been made. • We identified several amendments to the financial instruments disclosure note. These are set out in detail on page 48. • Note 3 critical judgements in applying accounting policies included items such as future government funding and Local Government Reorganisation which are not critical judgements impacting on the 2024-25 financial statements. • Note 4 Assumptions made about the future and other major sources of estimation uncertainty disclosures do not meet the requirements of the accounting standards.

Other risks

Risk identified	Key observations
Group financial statements The Council 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 Council to prepare group financial statements if it has a control over one or more other legal entities. Based on the 2023/24 Spelthorne Borough Council (the reporting Council) has two wholly owned subsidiary companies: • 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. In our audit the Council's and Group financial statements in 2023/24, 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 financial statements. As part of the 2024/25 financial statements, 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 financial statements consolidation resulting in a risk of error.	The Council has not provided us with full consolidated group financial statements during the audit period. Our work in 2024-25 has focussed on rebuilding assurances on the single entity statements. We agreed with management that we would work on these from Mid September to 19 December. Given the timing of providing the group financial statements we have not undertaken any testing on the balances within Knowle Green Estates Ltd.

Other findings

Other areas impacting the audit

Issue	Commentary	Auditor view
IFRS 16 implementation The adoption of IFRS 16 is required for local government authorities at 1 April 2024. We would expect audited bodies to disclose the implementation of the new accounting standard requirements, the nature of the changes in accounting policy for leases, along with the impact of IFRS 16 on transition.	We have undertaken testing to ensure that the Council has identified all arrangements that include the right of use of assets. This work has included: • reviewing and sample testing properties that the Council pays insurance and business rates on • review of temporary accommodation arrangements, • Review of fleet listings and capital commitments. Our sample testing did not identify any arrangements containing the right of use of asset not identified by the Council. Officers have migrated all identified IFRS 16 data into the asset manager software in line with the audit requirements and CIPFA Code.	Our substantive testing of the financial transactions and the associated disclosure noes did not identify any issues.

Other findings – key judgements and estimates

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

Assessment:

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £128.3m at 31 March 2025	Other land and buildings comprises £71.8m of specialised assets such as leisure centres and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilkes, Head and Eve to complete the valuation of properties as at 31 March 2025 on a five yearly cyclical basis. 88% of total assets were revalued during 2024/25. The total year end valuation of land and buildings was £128.3m, a net increase of £37.4m from 2023/24 (£90.9m). This net increase arises from the valuation process in combination with additions and enhancements of property assets during the year.	• We have assessed management's expert, Wilks, Head and Eve, to be competent capable and objective. • The valuer has correctly prepared the valuation using DRC on a modern equivalent asset basis for specialised properties, and EUV for non-specialised properties. There has not been any changes to the valuation methodology. • We have sample tested 73% (by value) of the Council's other land and buildings valuations. • We engaged our own valuation specialist, Lambert Smith Hampton, to provide a commentary on the instruction process for Wilks, Head and Eve, the valuation methodology, assumptions and approach, and the resulting valuation reports. • We have carried out testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate and have no issues to report. • We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements.	No overall conclusion formed this year, as our opinion has been disclaimed.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of investment property £583m at 31 March 2025	The Council has Knight Frank to complete the valuation of properties as at 31 March 2025. The Investment properties have been valued at fair value as defined under International Financial Reporting Standard 13 and as adopted by the Code. This is essentially the price that would be received to sell an asset, in an orderly transaction between market participants at the 31 March 2025. The total year end valuation of investment property was £583.1m, a net decrease of £42.3m from 2023/24 (£625.4m).	• We have assessed management's expert, Knight frank, to be competent capable and objective. • The valuer has correctly prepared the valuation using the fair value as at 31 March 2025. • All properties have been valued as at 31 March 2025. • We engaged our own valuation expert, Lambert Smith Hampton to provide a commentary on the instruction process for Knight Frank, the valuation methodology and approach, and the resulting assumptions and valuation report. • We have carried out testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate and have no issues to report. • We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements.	No overall conclusion formed this year, as our opinion has been disclaimed.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability £10.46m at 31 March 2025. IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.	The Council's IAS 19 Actuarial Valuation as at 31 March 2025 is £10.4m liability (PY £6.1m) after the asset ceiling adjustment. The Council participates in the Local Government Pension Scheme (Surrey Pension Fund) Estimation of the net asset to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the fund managers with expert advice about the assumptions to be applied. The Council uses Hyman Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in March 2022. The next actuarial valuation currently in progress with results due early next year and effective from 1st of April 2026.	• We completed an assessment of management's expert with no issues noted. The actuary is independent and objective. • We have completed an assessment of the approach taken by the actuary and concluded that an appropriate methodology is applied. • We used PwC as auditor's expert to assess the actuary's approach and assumptions made	No overall conclusion formed this year, as our opinion has been disclaimed.

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.8%	5.80-5.85%	Reasonable
Pension increase rate	2.8%	2.70-2.8%	Reasonable
Salary growth	3.8%	3.7-3.8%	Reasonable
Life expectancy – Males currently aged 45/65	21.7/22.3 years	*See Note below	Reasonable
Life expectancy – Females currently aged 45/65	24.5 /25.8 years		Reasonable

* Figures within the IAS19 results schedule may now show individual employer level life expectancies. As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability continued	Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	• Reviewed the completeness and accuracy of the underlying information used to determine the estimate • Completed a review of the reasonableness of increase/decrease in estimate • Adequacy of disclosure of estimate in the financial statements.	No overall conclusion formed this year, as our opinion has been disclaimed.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Provision for Appeals. £2.1m in 2024/25	The Council is responsible for repaying a proportion of successful business rate appeals. Management use an external organisation, LG Futures to calculate the level of provision required. LG future's calculation is based upon the latest information about outstanding appeals provided by the Valuation Office Agency (VOA), and previous success rates. For the 2023 listings where cases are still being appealed, LG futures have used the total net rates payable and applied a national assumed loss to calculate the potential successful appeals. Due to an increase in outstanding appeals, the provision has increased by £1.3m in 2024/25.	• We have assessed management's expert, LG futures to be competent, capable and objective. • LG futures have used outstanding appeals data provided by the Valuation Office Agency, potential information around unlodged appeals and historic success rates to form a reliable estimate of the impact on rateable values in the future. • The methodology used is consistent with comparable local authorities. • The disclosure of the estimate in the financial statements was found to be adequate. • We were able to test the closing balance as at 31 March 2025, but we have no assurance over the opening NNDR provision.	No overall conclusion formed this year, as our opinion has been disclaimed.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Grants Income Recognition and Presentation- £44.6m	Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that: • the Council will comply with the conditions attached to the payments, and • the grants or contributions will be received. Amounts recognised as due to the Council are not credited until conditions attached to the grant or contribution have been satisfied. The Council has credited £44.6m of grants to the Consolidated Income and Expenditure Statement in 2024/25. £37.1m were coded to the Net Cost of Services and £7.5m to non specific grants. The Council has received a number of Grants and Contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned if not spent. The balances at the year-end for these grants is £4.3m.	• We are satisfied with the grants tested that the Council's judgement on whether it is acting as the principal or agent is appropriate. • Our sample testing has concluded that we are satisfied with the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. Our testing of developer's contributions in Note 33 identified £3,850k that was treated as a receipt in advance, but the cash wasn't received until April 2025 and therefore no obligation is created at 31 March 2025. An adjustment is required to reverse the receipts in advance and the corresponding debtor balance. At the beginning of 2024/25, the Council had £8.4m of Covid-19 related grants residing within the creditor balance. The Council has reviewed this balance in line with our prior year findings and returned £5.5m to the government in the year which left a £2.99m balance that the Council are able to classify as income. The Council has coded this as fees and charges income rather than grant income. The Council has made the appropriate amendment.	No overall conclusion formed this year, as our opinion has been disclaimed.

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period, and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	We will seek a letter of representation from management before issuing an audit opinion.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and treasury partners. This permission was granted and the requests were sent. These were all returned with positive confirmations.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations	The Council is on a journey of rebuilding and regaining assurance after its predecessor auditor disclaimed the accounting periods from 2018/19 to 2022/23. As your incumbent auditors, in 2023/24 we commenced the audit of the Council's financial statements in line with the backstop arrangements and the Local Audit Reset and Recovery Implementation Guidance issued by the NAO, focusing on in-year transactions and closing balances. In our 2023/24 Audit Findings Report, we reported that we were unable to conclude our work and issued a disclaimer of audit opinion, as we could not perform all the necessary procedures to reach a conclusion. In 2024/25, our scope of work was more substantive, and we have been able to review more areas of the financial statements (e.g. PPE revaluations and detailed journal testing). However, given the significant gap in external audit scrutiny, regaining assurance was always going to be challenging for both external audit and council staff.

Other communication requirements

Issue	Commentary
Significant difficulties	• The main difficulties identified in performing the 2024/25, relates to the limitations in the scope audit work, given the lack of assurance on opening balances, as these have been previously disclaimed, however, these balances in turn impact a number of in-year transactions and balances. • In addition, the relevant year end reports affecting collection fund balances were not run as at 31 March 2025 and so we were unable to test the associated creditors, debtors and the in year business rates reliefs.

Other responsibilities

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

Other responsibilities

Issue	Commentary
Going concern	Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. However, as this year's audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Due to the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses across financial sustainability, governance and improving economy, efficiency and effectiveness. We have nothing to report on these matters.

Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government financial statements	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government financial statements (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2024/25 audit of Spelthorne Borough Council in the audit report, as we are required to wait for the National Audit Office to conclude their work in respect of the whole of government financial statements for the year ended 31 March 2025.

Audit adjustments

Audit adjustments

Impact of adjusted misstatements continued

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
The Knowle Green West Wing asset was leased to Knowle Green Estates Limited with the risks and rewards of ownership transferred to the subsidiary and the asset de-recognised as per the accounting standards in previous years. This asset was revalued in 2024/25 and a revaluation gain of £9.9m incorrectly included in the Council's financial statements which needs to be reversed.	-	Cr Property Plant and Equipment 9,879 Dr Revaluation Reserve 9,879	-	-
The Council did not include the Council Tax or Business rates bad debt provision within the financial statements. Cr bad debt provision £535k Dr expenditure £535k	Dr expenditure 535	Cr bad debt provision 535	535	-
Testing of a large year end accrual back to supporting confirmation from the Council's management surveyor identified that the accrual was overstated by £229k.	Cr expenditure 229	Dr Creditors 229	(229)	229

Audit adjustments

Impact of adjusted misstatements continued

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
We identified a £3.8m difference between the Trial balance and Local Taxation (Council Tax and Business rates) creditors. The variance of £3.8m related to a manual adjustment in the draft financial statements that debited the Collection Fund Adjustment Account and credited Creditors. However, after the discussion between the finance team and the collection fund managers, they have determined the Collection Fund Adjustment Account balance should not change as it reconciles to the LG Futures model, which has been finalised.	-	Dr Short term creditors 3,824 Cr Collection Fund Adjustment Account 3,824	-	-
Our testing of developer's contributions in Note 33 identified one sample of £3,850k that was treated as a receipt in advance. However, the cash wasn't received by the Council until April 2025 and therefore no obligation is created at 31 March 2025. An adjustment is required to reverse the receipts in advance and the corresponding debtor balance.	-	Dr Receipts in Advance 3,850 Cr Debtors 3,850	-	-

Audit adjustments and issues identified

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Misclassification	Note 15 - There was a transfer of £12,000k from Investment Property to Property Plant and Equipment in 2024/25. This relates to the Summit Centre which was incorrectly classified as an investment property in 2023/24 when it should have been treated as Property Plant and Equipment as it was used for service provision. The Council should not have treated this as a 2024-25 in year adjustment as the amount is material. This error should be added to the list of prior period adjustments.	✓
Cash flow Disclosure	Our testing of the cash flow statement identified late adjustments to the financial statements which had not been reflected within the cash flow statement. The Council has updated the cash flow statement for these amendments. This has the impact of changing the following categories in the cash flow statement: • Adjustments to net (surplus)/deficit on the provision of services for non-cash movements balance moved from (£60,518k) to (£60,252k) • Adjustments to net (surplus)/deficit on the provision of services that are investing and financing activities moved from (£14,096k) to (£12,801k) • Investing activities moved from (£833k to (£2,065k) • Financing activities moved from £19,471k to £19,143k.	✓
Note 37 pensions assumptions	Our comparison of the financial statements to the actuarial report identified that the inflation rate of 3.20%, rate of salaries increase of 3.9% and increase in pensions 2.9% on page 115 of the financial statements do not agree to the actuary report that disclosed pensions and CPI increase at 2.8% and salary increase of 3.8%. There are also differences on the prior year disclosure.	✓
Note 32 audit fee disclosure	Note 32 audit fees excluded the fee relating to the certification of the Housing Benefit grant claims. The fee for this work is £39k in 2023/24 and 2024/25.	✓
Accounting policy Disclosure	There are a couple of accounting policies that need tweaking when compared to the Code guidance notes. This includes the Council Tax and NNDR policy plus adding ranges to assets lives within the depreciation policy.	✓

Audit adjustments and issues identified continued

Disclosure	Misclassification or change identified	Adjusted?
Note 4 Assumptions made about the future and other major sources of estimation uncertainty disclosures	Note 4 Assumptions made about the future and other major sources of estimation uncertainty disclosures do not meet the requirements of the accounting standards in particular: • The carrying amount of balances affected is not reported. • There is a lack of explanation as to why there is uncertainty or what assumptions give rise to it. • The link between the uncertainty and the impact upon the carrying amounts affected is not explained. • There is an absence of meaningful sensitivity analysis or quantification of the possible impacts if assumptions change, that supports the assertion of material impact.	✓
Classification misstatement in Note 7.2 Expenditure and Income analysed by nature	Note 7.2 fees and charges figure in the financial statements has been amended from £44,346k to £23,052k. In addition, support recharges within the note are over inflating income and expenditure. The disclosure of 'Depreciation, Amortisation and Impairment' within the note is also being amended from £39,486k to £39,453k.	✓
Note 13 Capital commitments	The capital commitments in relation to the leisure centre was adjusted to £1.944m.	✓
Note 31 Officers remuneration	The bandings for the Chief Executive, Deputy Chief Executive, Chief Finance Officer and the Group Head of Corporate Governance included in those staff earning over £50,000 did not agree to the disclosure within the senior manager disclosure note.	✓
Note 35 Capital Expenditure and financing	Our check of the Capital Financing Requirement closing balance of £1,152,623k against the Council's balance sheet identified a difference of £17.6m. Management are still working through the difference.	X

Audit adjustments and issues identified continued

Disclosure	Misclassification or change identified	Adjusted?
Financial instruments disclosure note 19	From review of the financial instruments disclosure the following issues were identified: • Page 74 long term investments the balance of £44,289k should be £2,965k to match the balance sheet. The Equity instrument at (£41,324k) is incorrect and needs removing to show just the £2,965k total. • Page 74 Trade debtors of £18,585k agrees to the balance sheet. However, there are debtors that are not financial instruments such as prepayments / tax and other statutory items that should be excluded from this balance. The Council need to amend the note to exclude debtors that are not financial instruments. • Page 74 the lease liability short and long term balances of £1,964k and £478k did agree to the balance sheet. • Page 74 the creditors balance £29,343k agrees to the balance sheet. However, this balance needs adjusting for items that don't meet the definition of financial instruments such as tax, receipts in advance and other statutory items. • Page 76 gains and losses table the total of interest expense within the financial assets column of £25,560k is incorrect should be nil • Page 77 The fair value table exclude the short term loans for PWLB and Other short term loans only includes long term loans. • Page 77 the fair value from the PWLB and other loans equal the balance sheet value. The Council has not undertaken a fair value assessment of the loans. This balance will therefore need to be disclaimed. • Page 78 The balance sheet value for the money market funds £4,500k does not match the confirmation we received of £4,311k or the balance sheet. • Page 78 The balance sheet value of the strategic pooled assets of £4,606k is incorrect. The balance sheet has £2,965k • Page 80 The credit risk table on page 80 is incorrect and did not match the financial statements.	✓

Audit adjustments and issues identified continued

Disclosure	Misclassification or change identified	Adjusted?
Note 13 Property Plant and Equipment	In note 13 there were 4 properties that were incorrectly classified in 2023-24 but were then reclassified in 2024-25. As the balance of the properties are material these should have been treated as a prior period adjustment rather than being adjusted in 2024-25.	✓
Note 7 Expenditure and Funding analysis	On the Statement of Expenditure and Funding Analysis, the Net Expenditure chargeable to the General Fund does not reconcile with the Council's internal reporting. The CIPFA Code paragraphs 3.4.2.99 and 3.4.2.100 require the Council to present information on reportable segments within the notes which should be based on the Council's internal management reporting. The Council should therefore have a 5 column Expenditure and Funding Analysis that shows a reconciliation back to internal reporting/the 2024-25 outturn report.	✓
Note 7 Expenditure and Funding analysis	We identified 3 issues with the adjustments between the Funding and Analysis basis which are as follows: • The Depreciation, Amortisation and Impairments balance of £39,486k did not agree to the notes throughout the statements which total £39,343k. • Non-current assets written out on disposal £1,051k contain an Asset under Construction posting error of £553k which needs correcting. • The Council Tax and NNDR adjustment of £1,182k do not agree to the collection fund adjustment account or the LG futures model.	✓
Note 12 Council Tax income	Discrepancy between Council Tax Income per Note 12 , Council Tax Income per Client provided workpaper and Council Tax Income using Collection Fund Account information of £181k.	✓
Note 38 contingent liabilities	The Council has not included any contingent liability relating to the Virgin Media case that has a potential impact on the pension fund and associated IAS19 disclosures. In addition, the employment claim mentioned in note has been dismissed with the judgement on the side of the Council. The associated contingent liability note can therefore be removed.	✓
Related Paty disclosure note 34.	The Council does not control or have significant influence over Allied Resilience and as such a related party disclosure is not required. Management have agreed to delete the disclosure. The Council has also disclosed various grants that they provide to other organisations. These don't meet the disclosure requirements of the accounting standards, but the Council has stated that they would like to leave the disclosure in statements to be open and transparent.	✓

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 13 Property Plant and Equipment	We identified that depreciation had been applied to the land portion of Harper House. This has been amended and the double entries are Credit Gross book Value £243k and Debit Accumulated depreciation £243k with no impact on the net Book value. We have also identified that the Useful Economic Life applied by the valuer is not consistent with the fixed asset register. We have completed a calculation which leads to a variance in depreciation of £139k.	✓
Group financial statements	The Council's draft financial statements did not contain group financial statements. The audit team challenged the Council to review the requirements of the CIPFA Code and accounting standards and to substantiate their view that group financial statements were not required. On undertaking this work the Council recognised that they needed to consolidate Knowle Green Estates Limited (the 100% owned subsidiary) into the financial statements.	✓
Narrative Report	We have identified the following amendments to the narrative report: • The future changes in the MRP policy and restructuring of debt are going to have a massive impact on the financial position of the Council. The narrative report does not explain the possible future consequences. • Page 13 of the narrative report, the total long term debt is stated as £1.042m. The figures need to be in billions or the full stop replaced by a comma. • The narrative report needs updating for the backstop opinions and the Local Government Reorganisation outcome. • Page 10 of the narrative report states "The Council as at the 31 March 2025 had an investment asset portfolio valued at £582.95m". This is inconsistent with the balance sheet value £583.106m. Page 11 of the narrative report has rental income from investment properties of £46,275k but note 15 has £45,649k. Total costs of £6,172k do not agree to note 15 £5,843k. The difference on these disclosures is that Note 15 does not include Summit Centre and Elmsleigh Centre as they cannot be treated as investment properties because there are Council operations run from them. This fact should be disclosed in the narrative report.	✓
Throughout	There are hyperlinks throughout the financial statements. The Council need to remove these as it brings the information into the scope of the audit.	✓
Balance sheet cash	There are overdrawn bank accounts that are netted off the cash position. These should be shown separately as a current liability and not netted off.	✓
Note 3 critical judgements in applying accounting policies	Note 3 disclosures included fair funding review and Local Government Reorganisation are not critical judgements impacting on the 2024/25 financial statements so should be removed. The Investment Property disclosure was also removed as the Council were following the accounting standards and not applying any critical judgements.	✓

Audit adjustments

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Note 8 Adjustments between Accounting and Funding basis	Note 8 balance of £39,486k is impairment of £36,501k plus depreciation £2,874k plus amortisation. The £36,501k agrees to note 11, but the depreciation and amortisation balances don't agree to note 11, 14 and 16.	✓
Note 33 grants and contributions	Note 33 Other revenue grants of £17.8m credited to services need to be split out into individual grants as the balance is material. In addition, the developer's contributions of £4,348k don't agree to the balance sheet of £4,267.	✓
Note 40 Nature and Extent of Risks Arising from Financial Instruments	Page 121 the Liquidity risk disclosure less than 1 year has £29,969k which is inconsistent with the balance sheet disclosure of £26,969k. Page 123 Price risk states "The Council does not invest in bonds or equitable shares". However, there is £2,965k invested in a pooled equity fund in note 19.	✓
Note 41 Prior Period adjustment	Note 41 the impact the taxation and non-specific grant figure comes to £14,599k, but the Consolidated Income and Expenditure Statement has £14,133k.	✓
Note 15 investment property	The directly incurred operating expenses from investment property of £5,843k should be replaced with £5,618k as the set aside was previously £650k but this amount relates to all properties and £425k excludes Summit & Elmsleigh Centre.	✓
Note 7.2 Expenditure and Income analysed by nature and Note 33 Government Grants and Contributions.	At the beginning of 2024/25, the Council had £8.4m of Covid-19 related grants residing within the creditor balance. The Council has reviewed this balance in line with our prior year findings and returned £5.5m to the government in the year which left a £2.99m balance that the Council are able to classify as income. The Council has coded this as fees and charges income rather than grant income. The Council has made the appropriate amendment.	✓

Action plan

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

Assessment	Issue and risk	Recommendations
● High	The draft financial statements provided for audit contained more misstatements than expected. A more robust management review may have identified and corrected some of these misstatements prior to submission for audit.	Ensure that sufficient time is built into your closedown processes to enable a more robust management and quality review to be completed prior to the financial statements being submitted for audit. **Management response** The Council will ensure that the closedown timetable allows sufficient time for robust management and quality reviews prior to the submission of financial statements for audit. Responsible Officer: Strategic Finance Manager- Financial Accounting
● High	The relevant collection fund reports that analyse debtors, creditors and business rate reliefs down to an individual account level at 31 March 2025 were not run. This meant we were unable to substantively test these balance.	Ensure that all the relevant collection fund reports are run at 31 March 2026. **Management response** There will be a meeting in late February each year to confirm the reports that the auditors would expect, between Finance and revenues (Customer Services). Going forward it is also assumed that the auditors will do a planning audit and it is requested that there be a collection fund meeting with them to ensure no miscommunication (this works well elsewhere). On the 1st working day of the new year, the report timetable will be updated with reports received to ensure that there are no reports missed in error. The reliefs were provided at a detail level to enable the auditors to select their sample. Responsible Officer: Customer Services Systems Administrator and Collection Fund Accountant

Key

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

Action plan

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

Assessment	Issue and risk	Recommendations
● Medium	The Council had asset on the fixed asset register that had been merged. i.e. two Elmsleigh Car Parks. These assets had different Useful Economic Lives and separate valuations. We have also identified an asset that had been disposed of to your subsidiaries that has subsequently been incorrectly revalued.	Continue with the processes to strengthen your fixed asset register including: • Strengthening controls over assets that have been disposed of. • Ensure that any merged assets are appropriately segregated. **Management response** The fixed asset register is currently being migrated from a spreadsheet-based system to the CIPFA fixed asset software (Asset manager). As part of this migration process, a full reconciliation will be undertaken to ensure that any duplicated, merged, or disposed assets are appropriately recognised or, where relevant, derecognised from the fixed asset register. In addition, the Council has implemented a formal review process to reconcile the fixed asset register against valuation reports. This process will help ensure that each asset is assigned the correct useful economic life and that an appropriate valuation methodology is applied. Responsible officer: Interim Capital Closing Accountant.

Action plan continued

Assessment	Issue and risk	Recommendations
Medium	The terms of engagement provided to the investment property valuer were not compliant with the RICS standards. Although a contract was provided, a separate Terms of Engagement letter should be issued alongside this.	The Council should update the terms of reference agreed with their valuers to ensure that they are fully compliant with the RICS standards. The requirements have been shared with the Asset Team in preparation for the 25/26 process. **Management response** The Council will seek to update the terms of reference with the Council's valuers to ensure full compliance with RICS standards ahead of the 2025/26 valuation cycle. Assets will resolve with Knight Frank before they start their valuation process. Responsible Officer: Group Head Assets
Medium	The ledger system enables users to forward post and back date journals into future and previous periods. Where prior years are closed, we would not expect the system to allow back posing of journals.	The Council should review the financial system and amend the parameters to prevent back posting to closed periods. **Management response** Our normal procedures are to keep open the previous year but close the year before that on each end of year. Last year was an exceptional year due to the backlog resolution and we kept two years open. This was a unique year and this will not happen again. We keep the previous year open for prior year adjustments but when the accountants completed their entries the Systems Administrator will take this function away when all adjustments are done so no one can post Responsible Officer: Systems Administrator

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023/24 financial statements, which resulted in 14 recommendations being reported in our 2023/24 Audit Findings Report. The table below provides an update on the Council's actions to address the issues.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Implemented with recommendation to focus on strengthening collection fund audit trails	**Quality of working papers and clarity of the audit trail** We have a number of queries for which officers have not responded to us in a timely manner which has impacted the audit conclusion significantly. • The working papers to support the financial statements were not immediately available and the engagement team had spent a significant amount of time with officers to obtain the appropriate information. • The Council's SOA Template had several mapping errors in the EFA, the Income and Expenditure by Nature and including mapping issues impacting receivables and payables. • Listings for receivables and payables were not immediately available. • Listings for additions are cleansed and only have capital additions being recognised in year. • NNDR and Council Tax workings and reconciliations not reconciling. • Fixed Asset Register did not agree to the financial statements.	The Council have put measures in place to enhance the quality of the supporting working papers provided for audit. These measures have included more staff training and more in-depth reviews of working papers. As a result, we have noticed an improvement in the working papers and audit trails provided to support balances within the financial statements. This has enabled us to undertake and complete more sample testing than in the previous year. There has also been good engagement from the finance team and more timely responses to our queries and requests for additional evidence. An area to focus on for 2025/26, will be to ensure that the relevant reports to account balance level are run on 31 March 2026 to support collection fund debtors and creditors. As the systems are live, it has not been possible to generate year end listings per individual accounts for testing during the audit. As a result, we have not been able to test collection fund debtors and creditor balances.

Follow up of prior year recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
On going	**Review of financial statements** A number of inconsistencies and disclosure omissions were identified during our review of the financial statements. This indicated a lack of internal critical review prior to the financial statements being presented for audit. • Cold Review Points raised in March 2024 by external audit to facilitate a smooth audit for 23/24 had not been actioned by officers throughout the audit. If resolved, this would have assisted and informed the financial statements process including resolving any significant matters. • Review of the financial statements, a number of points were raised during the audit by the engagement team. Responses were not provided in a timely manner and were still outstanding or unresolved at the time of writing this report.	The Council implemented a year end timetable and provided the financial statements in line with the timeframe agreed with external audit. The relevant accountants responsible for disclosures within the financial statements have access to the CIPFA code disclosure requirements. The financial statements have been subject to review prior to them being submitted to audit. Despite these measures, we have continued to identify disclosure misstatements and inconsistencies throughout the statements. We would have expected a more robust management review to have identified some of these misstatements. Management have been proactive in responding to our queries, resolving issues and making the required amendments to the financial statements.
Implemented	**Bank Reconciliation Process and Cash and Cash Equivalents** Our review of the prior year bank reconciliation process identified that the process in place was overly complex and due to the amalgamation of different general ledger account codes that form part of the bank balance. This made identification of reconciling items and their clearance difficult.	The Council has undertaken a review of the reconciliation process, and this has been simplified. The Council has closed bank accounts that are not required and moved balances to one general ledger code to simply the main bank account reconciliation.

Follow up of prior year recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Implemented	**Journals and quality of audit evidence** Our prior year journals testing identified a number of issues. Journals erroneously posted at year end for revaluation adjustments and in some cases crediting the general fund for accumulated depreciation as opposed to the revaluation reserve, writing off assets incorrectly on revaluations that still existed at year end. Quality of audit evidence provided for posting of journals needs improving, so that the trail can be followed through by the approve and creates an adequate audit trail.	During the year journal preparers and approvers have received journals training This covered the requirements to complete the standard template together with examples of good quality supporting evidence. The financial system has been updated to ensure that all journals are subject to review by a senior accountant. Our testing of 47 journals concluded that all journals had been appropriately prepared and authorised by different officers. We were able to understand the business reasons for the journal and the associated accounting entries. There were a few instances where we had initial queries which management were able to resolve promptly. One journal we did fail as the transaction was coded to a receipt in advance code when the money was not received until April 2025.
Implemented	**Commercial Rental Income:** In our review of commercial leases we noted that, the Council did not make any revenue accounting adjustment relating to lease incentives embedded within the Council's operating lease agreements as a lessor in prior years and within the current period as per the requirement in the code. This also needs to be reflected in the accounting policies appropriately to the readers/users of the financial statements. The council will need to undertake an assessment to determine the impact of not accounting for lease incentives.	Officers have reviewed the rent incentives based on the business plans and lease agreements. This information was verified with asset managers. The Council has made the relevant accounting adjustments to ensure that lease incentives are appropriately recognized as a reduction of the total rental income over the lease term on a straight-line basis. Our sample testing of fees and charges and investment income has not identified any issues relating to the recognition of income.

Follow up of prior year recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Implemented	**IFRS 16 Implementation:** The CIPFA Code has deferred IFRS 16 for local authorities for a number of years. However, most local authorities will be implementing IFRS 16 in 2024/25. There are a number of disclosure requirements which councils are required to make prior to implementation. The Council opted to adopt IFRS 16 voluntarily in 23/24. However, from our review of the financial statements, this was not clearly disclosed in the financial statements and our review of the Council's working papers identified issues over completeness and accuracy of the information. Accounting Policies did not reflect the current adoption of IFRS 16 and disclosure requirements.	The Council has undertaken an exercise to ensure that it has captured all its arrangements that contain the right of use of asset. We have undertaken testing aimed at identifying any potential right of use of assets that meet the requirements of IFRS16 that the Council failed to identify. Our sample testing did not identify any arrangements containing the right of use of asset not identified by the Council. Officers have migrated all identified IFRS 16 data into the asset manager software in line with the audit requirements and CIPFA Code. Our substantive testing of the financial transactions and the associated disclosure noes did not identify any issues.
Not implemented	**Group financial statements** In our review of the Council's consolidated Group financial statements, we identified a number of weaknesses relating to the group consolidation process. We were provided with a basic spreadsheet of the council's group consolidation but no supporting evidence workings.	The Council's draft financial statements did not contain Group financial statements. The audit team challenged the Council to review the requirements of the CIPFA Code and accounting standards and to substantiate their view that group financial statements were not required. On undertaking this work the Council recognised that they needed to consolidate Knowle Green Estates Limited (the 100% owned subsidiary) into the financial statements. As at the 19/12/2025 we have not been provided with the group financial statements. We have focussed our efforts this year on undertaking more substantive testing on the single entity financial statements. We will undertake testing on the Council's group financial statements in 2025/26.

Follow up of prior year recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial implementation	**Collection Fund (Business Rates and Council Tax)** • During the audit, we were not provided with adequate working papers that reconciled the collection fund entries. This included an appropriate reconciliation between the General Ledger and the Academy System for the financial year 23/24. The Collection Fund entries should be reconciled to the appropriate reports from the system, and these entries should also be updated and reconciled to the General Ledger. There should also be a further reconciliation from the sub-system to the NNDR3 report. • In addition, we were unable to complete our review of the reliefs applied to business rates and council tax financial statements. This information was not provided in a timely manner by council staff.	The Council has engaged an interim collection fund specialist to support the Council in preparing, monitoring, implementing and reviewing collection fund accounting and its general fund impact. We were unable to complete our testing of the reliefs applied to business rates as the reports needed to be run on 31 March 2025.

Follow up of prior year recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial implementation	**Fixed Asset Register** We identified the following issues with the Fixed Asset Register: • The layout and structure of the FAR was difficult to understand and the structure, and there were assets noted in the FAR with negative revaluation reserves. • Opening Reconciliations –our review of the opening FAR didn't reconcile to the financial statements. A number of different versions of the FAR were provided during the audit. • Disposals – while no disposals were disclosed in the financial statements, we identified some assets that were disposed in year and some assets that no longer exist. • Additions – we noted instances of revenue costs that had been capitalised that will require review. • Classification/Reclassification – we noted issues with classification of certain assets, and a lack of clarity over the purpose the Council were holding the assets which could impact the valuations undertaken. • Useful Asset Lives – the asset lives within the FAR drive the depreciation used by the council including potentially MRP. We had no assurance over the values.	The council have taken measures to improve the layout, and structure of the Fixed Asset Register utilising software produced by CIPFA. The audit team were able to reconcile the Fixed Asset Register to the statement of financial statements. These measures ensured that there was an improvement in the quality of the fixed asset register. However, the asset register would be strengthened further by: • Ensuring assets relating to the subsidiary are not included on the councils register. • Separating out identifiable assets within their own line instead of merging certain similar assets together. • Including the basis of valuation for each asset between Depreciated Replacement Cost, Existing Use Value and Fair Value. • Ensuring depreciation applied is consistent with the useful life provided by the valuer.

Follow up of prior year recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Implemented	**PPE & IP Revaluations** The Council has not had an audit for 5 years. We note from our review of the revaluations that some assets were not revalued in year, as management have made a judgement that assets below a certain threshold are not to be revalued every year. The requirements from the Code and Financial Reporting Council have increased over the last 5 years. Also, the Council needs to ensure it holds up to date floor areas for all its assets and any discrepancies are appropriately follow-up on and documented	The Council has revalued the majority of its assets in 2024/25. Those assets that were not subject to revaluation in 2024/25 management have undertaken an assessment that the current value of these assets are not materially different from the carrying value. We have noted from our work on revaluations that the floor areas are held by the valuer. Any discrepancies identified by the Council were queried by the asset team with the valuers. Although improvements have been made since 2023/24, the Council should provide their valuers with the following; • RICS compliant terms of engagement letter. • All relevant data is provided to the valuer including details of lease agreements and in year capital expenditure applied to individual assets.

Follow up of prior year recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Implemented except for Collection Fund balances.	**Receivables and Payables** While undertaking the substantive testing of debtors and creditors, we requested management to provide a detailed transaction listing for receivables and payables as at the balance sheet date. We were informed that this was not possible as, only the account code balances could be produced. Therefore, we had to select specific account balances from the listing of codes provided which is not in line with our audit approach and resulted in additional time and delays to our review. .	As part of the year end process, the finance team has reviewed and reconciled debtor and creditor balance sheet account codes. The finance team provided us with appropriate listings that contained individual receivable and payables balances that were outstanding as at 31 March 2025. As a result, we have been able to sample and test Receivables and Payables Balances. Due to reports not being run on 31 March 2025 for collection fund balances, we have not been able to test any of the collection fund debtors and creditors.
Implemented	**Debtors Testing** Our review of the lease incentives, noted that management only started accounting for lease incentives in 23/24 (no accounting had been in place in prior periods), which potentially means income in the prior period was not being smoothed out on a straight-line basis or in a systematic method as required by the standard IAS 17 and subsequently IFRS 16 in 24/25. Therefore, there is a risk that debtors is potentially materially misstated and we have no assurance or expected impact due to inadequate record keeping or tracking of income.	The finance team has reviewed the rent incentives based on the business plans and checked the information with asset managers. The finance team are satisfied that the accounting for lease incentives is in accordance with the accounting standards. Our sample testing of debtor balances has not identified any issues with the accounting for lease incentives in 2024/25.

Follow up of prior year recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Not Implemented	**Trade Payables.** In our review of creditors, we noted a balance that was unsupported relating to Covid-19 Grants potentially payable back to MHCLG, but no record keeping was provided to prove whether this was a payable or not (i.e. we would have expected a record of the grant provided and corresponding expenditure against the grant to arrive at the amount outstanding). This balance and other similar balances on the council's ledger will need to be reviewed.	As part of the year end process, the finance team has reviewed and reconciled creditor balance sheet account codes. At the beginning of 2024/25, the Council had a total of £8.4m of Covid-19 grants residing within the creditor balance. The Council returned £5.5m to the government in the year which left a £2.99m balance at the 31 March 2025. The Council reversed this balance out and recognised this as income under fees and charges. In our view, the accounting for the reversal of these unspent grant treated as fees and charges is not appropriate. We proposed this to be taken out from fees and charges income.
Not implemented for 2024-25, but the MRP policy has been updated for 2025-26	**Minimum Revenue Provision.** Based on our review of the MRP from the limited information we have been provided by officers and fact we have no background information or audited prior years, there is a risk that the council's MRP is understated as it currently charges 1% of its CFR against an industry benchmark of 2%. The annuity method defers the MRP charges towards the future, therefore, they will be greater charge or burden to the Council's General Fund, and particularly if benefits from assets acquired does not materialize as projected. .	The MRP Policy and the associated calculation for 2024/25 was not compliant with the statutory requirements as detailed on page 25. The Council's MRP charge for 2024/25 of £19,268k is approximately 1.7% of the Closing Capital financing Requirement and still below the 2% benchmark. We have reviewed the Council's Capital Financing Requirements closing balance of £1,152,623k against the balance sheet. This review identified a difference of £17.6m. Management are still working through the difference. The Council are aware of the above issues and have agreed changes to the MRP Policy Statement which was approved at the November 2025 Full Council meeting.

Value for Money arrangements

Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR was reported to the 21 October Audit Committee

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

Improving economy, efficiency and effectiveness

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

Financial sustainability

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

Governance

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

In undertaking this work we have identified significant weaknesses in arrangements across all 3 criteria and have raised key recommendations within the Auditor's Annual Report. Management are working to implement these recommendations.

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, there are no independence matters that we would like to report to you.

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

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

Fees and non-audit services

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	39,000	39,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £39k in comparison to the total fee for the audit of £222k 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.

Fees and non-audit services

Total audit and non-audit fee	
Audit Scale fee £225,275	Non-audit fee £39,000

The above fees are exclusive of VAT
The fees agree to the financial statements
The fees reconcile to the financial statements figure of £222k

The non audit fee is for the certification of the 2024/25 Council's Housing Benefit return. The fee was not included within the draft financial statements, but management has now included this within the updated financial statements.

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

Appendices

A. Assurances over balances and transactions

The following table highlights the areas within the primary statements that we have been able to review as part of 2024-25 financial statement. We have RAG rated based on auditor judgement of assurances obtained, and noted in summary the issues identified.
Due to issues noted in the single entity accounts, we are unable to provide assurance on the Group Accounts.

Primary Statement			
Comprehensive Income and Expenditure Statement			
Financial Statement Line Item (Income)	Assurance Status in 2023/24	Assurance Status in 2024/25	Auditor Comments
Fees and charges and investment income	Red	Green	We selected 75 samples in our testing of Fees and Charges and Investment Income. The Council had challenges in providing us with separate populations, but we were satisfied that the overall split between investment income and fees and charges was fairly stated. We identified one misclassification fail in the large items tested of £2.99m which the Council has amended the financial statements for.
Employee Costs	Green	Green	We were able to use analytical techniques to get our audit assurance over staff costs that flow though the payroll system. We tested a total sample of 26 starters, leavers and employees whose FTE status changed in the year. We were satisfied that the changes to the payroll system were appropriate. We sample tested agency expenditure back to supporting information such as invoices received from 3rd parties.
Housing benefit expenditure	Green	Green	No material issues noted from our substantive testing of 10 Housing Benefit payments in year. We have raised a control recommendation around ensuring that tenancy agreements are in place for all claimants.

Assessment

- [Red] We were unable to test all balances to gain assurance we can roll-forward and likely to be material misstatement within the balances
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 2024/25

71

A. Assurances over balances and transactions

Primary Statement			
Comprehensive Income and Expenditure Statement key line items			
Financial Statement Line Item	Assurance Status in 2023/24	Assurance Status in 2024/25	Auditor Comments
Other Operating Expenditure			We sample tested 44 items back to supporting documentation including invoices and other documents supplied by 3rd parties. 2 items we failed, but when these errors were extrapolated the potential misstatement was below our reporting levels.
Interest Paid			We agreed the interest paid to the Borrowing repayments.
Council Tax & Business Rates Income			In our review of collection fund working papers, we were not provided with sufficient and adequate working papers for us to determine whether collection fund income credited to both CIES and Collection Fund (including the related entries) was materially stated. This was largely due to collection fund debtor, creditor and business rate relief account level reports were not run on 31 March 2025. As a result, we were unable to test these balances.
Capital Charges (Fair Value Movement of Investment Properties)			As we disclaimed last year we have no assurance over the opening balance. This balance represents the movement between 31 March 2024 and 31 March 2025. We are endeavouring to get assurances over the closing balance which will assist with gaining assurance over this balance in 2025/26.

A. Assurances over balances and transactions

Primary Statement			
Comprehensive Income and Expenditure Statement key line items			
Financial Statement Line Item	Assurance Status in 2023/24	Assurance Status in 2024/25	Auditor Comments
Grant Income			We have tested 11 items and were satisfied that in all cases the grant income was fairly stated, and the conditions had been met for the Council to record the income. One of the grants for £360k was missed in 2023/24 so the Council had to record as income into 2024/25. This was a prior period issue and as the balance is not material, the Council was correct in making an in year adjustment.

A. Assurances over balances and transactions

Obtaining assurances over the balance sheet items is more challenging as we do not have assurances over the opening balances.

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Primary Statement			
Balance Sheet Key line items			
Financial Statement Line Item	Assurance Status in 2023/24	Assurance Status in 2024/25	Auditor Comments
Property Plant and Equipment			We do not have assurance over the opening balance. We have undertaken substantive testing on additions, disposals, depreciation and revaluations. In our revaluation testing, we identified an asset of £9.9m that had been revalued, but related to the Council's subsidiary. There are also a few assets that the Council has not revalued in the year which we will need to test in 2025/26 once these have been formally valued. The total value of these assets was £15m so is material.
Investment Properties			We do not have assurance over the opening balance. We are still in the process of completing our revaluation testing.
Short and Long Term Investments			All investment counterparty confirmations obtained as at 31st March 2024 and 31 March 2025.
Long Term Receivables		TBC	No assurance over the opening balance. We are finalising our review in relation to the loans to the Council's subsidiary.
Short Term Receivables			We have no assurance over the opening balance. However, we have now obtained assurances over the closing balance, with the exception of the collection fund debtor balances.

74

A. Assurances over balances and transactions

Primary Statement			
Balance Sheet Key line items			
Financial Statement Line Item	Assurance Status in 2023/24	Assurance Status in 2024/25	Auditor Comments
Cash and Cash Equivalent			We are satisfied that the closing cash balance is materially fairly stated.
Borrowing Short and Long Term			We have agreed short and long term borrowings back to direct confirmations received from counterparties.
Short Term Creditors			We have no assurance over the opening balance. However, we have now obtained assurances over the closing balance, with the exception of the collection fund debtor balances.
Provisions			Although no assurance over the opening balance, this is below materiality levels. We have tested the NNDR appeals provision and are satisfied this is fairly stated. We have assurance over the closing balance which is below our headline materiality.
Pension Fund Liability			In prior year we had agreed the pensions liability disclosures to the actuarial report so we had an element of assurance over the prior year balance. In 2024/25 we have agreed all the entries to the actuary report and completed testing over these balances. We have obtained the assurances we require from the auditors of Surrey County Pension Fund.
Reserves			Reserves balances are built up over years and we do not have assurances over opening or closing balances at this stage.

75

B. Communication of audit matters with those charged with governance

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

B. Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

Grant Thornton