

Audit adjustments

Appendix C

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
<p>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.</p>	-	Cr Property Plant and Equipment 9,879	-	-
		Dr Revaluation Reserve 9,879		
<p>The Council did not include the Council Tax or Business rates bad debt provision within the financial statements.</p>	Dr expenditure 535	Cr bad debt provision 535	535	-
	Dr expenditure £535k Dr expenditure £535k			
<p>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.</p>	Cr expenditure 229	Dr Creditors 229	(229)	229

Audit adjustments

Impact of adjusted misstatements continued

Detail	Comprehensive Income	Balance Sheet	Impact on total net	Impact on general fund
	and Expenditure Statement £'000	£'000	expenditure £'000	£'000
<p>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.</p>	-	Dr Short term creditors 3,824	-	-
		Cr Collection Fund Adjustment Account 3,824		
<p>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.</p>	-	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	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> 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	<p>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.</p>	✓
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 do not meet the requirements of the accounting standards in particular: future and other major sources of estimation uncertainty disclosures	<ul style="list-style-type: none"> 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?
	<p>From review of the financial instruments disclosure the following issues were identified:</p> <ul style="list-style-type: none"> 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. 	
Financial instruments disclosure note 19	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 Party 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: <ul style="list-style-type: none"> 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.	✓