17

Grant Thornton

Audit Findings (ISA 260) Report for Brighton and Hove City Council

Year ended 31 March 2025

25 November 2025

Brighton and Hove City Council
Hove Town Hall
Norton Road
Hove
BN3 3BQ

25 November 2025

Grant Thornton UK LLP
8 Finsbury Circus
London
EC2M 7EA

www.grantthornton.co.uk

Dear Members of the Audit, Standards & General Purposes Committee

Audit Findings for Brighton and Hove City Council for the 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 the management and will be discussed the Audit, Standards & General Purposes 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.

19

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):

https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/transparency-report-2024-.pdf

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.

Paul Cuttle

Director
For Grant Thornton UK LLP

20

Contents

21

01 Headlines

Headlines

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

Financial statements

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

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

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

Our audit work was completed during June-September 2025. Our findings are summarised on pages 45 to 53. We have identified 2 adjustments to the financial statements. These have no impact on the level of the Authority's usable reserves.

Audit adjustments are detailed at page 45. We have also raised recommendations for management as a result of our audit work. These are set out at page 57. Our follow up of recommendations from the prior year's audit are detailed at page 59.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, except for following:

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop legislation where we could not obtain sufficient appropriate audit evidence over the completeness of provisions. For the 2024/25 year, we assume we will be unable to obtain sufficient appropriate audit evidence by the statutory deadline of 27 February 2026 over the completeness of the Authority's provisions in the financial statements, specifically with respect to the potential provision that could be required for settlement of equal pay claims received during 2024/25. We expect to conclude that the possible effect of this matter on the financial statements could be both material and pervasive, and therefore we will be issuing a disclaimer of opinion on the financial statements. This means that we do not express an opinion on the financial statements. We note that all other audit work has been completed and any issues/errors from that work are considered to be immaterial and are reported on and concluded on within this report. The disclaimer of opinion is issued so that the Authority is able to comply with the requirement in the Regulations to publish audited financial statements for the year ended 31 March 2025 by the backstop date (27 February 2026).

The testing of a sample of insurance payments back to the lease liability/right of use assets to confirm completeness of that implementation is still in progress, and we are closing out final Director and Senior Manager review of the audit file which could lead to further audit queries/amendments.

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

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

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

We have substantially completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which will be presented to the 27 January 2026 meeting of the Audit, Standards and General Purposes Committee. Further details about our the value for money work is included on page 61 of this report.

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 in relation to the 2024/25 audit.

We have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has not been received from the NAO that the group audit (Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025

24

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

Headlines

25

National context – audit backlog

Government proposals around the backstop

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

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

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

Headlines

Implementation of IFRS 16

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

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

Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

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

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

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

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

Impact on the Authority

The impact on the authority financial statements is as follows:

- Implementation of IFRS 16 has led to material changes in the financial statements with leases valued over £38.381 million being recognised on the balance sheet as Right of use asset at the transition date.
- The Council has made all the necessary changes to the accounting policies relating to borrowing rates, reconciliations, and applied exemptions and have complied with all the disclosure requirements of IFRS 16 and the CIPFA Code.
- Professional judgments have been applied by the Council relating to lease term assumptions, embedded lease identification, and valuation of peppercorn leases, which have been disclosed in the accounts.

(Continued)

Headlines

Implementation of IFRS 16

Impact on the Authority

- Controls have been updated to support lease identification and classification. A completeness exercise was undertaken across the departments using questionnaires and spreadsheets to identify all lessee leases.
- The Council has mostly relied on spreadsheets for implementation and to track lease data and ensure completeness and accuracy across services
- Operating leases were reclassified as finance leases, except IFRS 16 exemptions has been applied where leases have been deemed low-value or short-term.
- 10 peppercorn (nil-consideration) leases were identified; fair value assessments were done by the management's valuer to recognise donated ROU assets at transition date under IFRS 16.

The Authority has made substantial progress in implementing IFRS 16, with material lease liabilities and right-of-use assets now recognised in the financial statements. The transition has been supported by updated internal controls, robust data collection processes, and a high level of departmental engagement.

From an auditor's perspective, the Authority has demonstrated a reasonable and systematic approach to identifying and assessing leases, including embedded and peppercorn arrangements. However, the auditor has noted a few discrepancies on implementation of the new standard which have been documented on slide 28 of this document.

02 Materiality

Our approach to materiality

As communicated in our Audit Plan dated 22 April 2025, we determined materiality at the planning stage as £19.5m based on prior year gross expenditure (audited). At year-end, we have reconsidered planning materiality based on the draft financial statements and the materiality has been updated which is due to change in gross expenditure figure as per the draft financial statements.

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

Basis for our determination of materiality

- We have determined materiality at £19.6m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.
- We have used 1.9% of gross expenditure as the basis for determining materiality.

Performance materiality

- We have determined performance materiality at £13.7m, this is based on 70% of headline materiality. We have revised the performance materiality percentage to reflect the increased risk due to identified misstatements (both adjusted and unadjusted) and one control deficiency on completion of 2023/24 audit.

Specific materiality

- Lower separate materiality was identified for Senior officers remuneration and so we have applied a lower level of materiality of £100k.

Reporting threshold

- We will report to you all misstatements identified in excess of £0.98m, 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.

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	19,600,000	In determining materiality, we have considered the following factors: - Debt arrangements: the authority has a significant level of debt, but the majority of this is with PWLB and the council follows the CIPFA Prudential Code with regard to managing the levels of debt. We are not aware of significant debt covenants or other factors that would indicate an enhanced risk. - Business environment: the Council operates in a generally stable, regulated environment, although in recent years government policies have reduced the funding available and this has increased the financial pressures on the authority. - Control environment: the risk assessment did not identify any significant deficiencies in the control environment. - Other sensitivities – There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced
Performance materiality	13,700,000	Performance materiality is based on 70% of headline materiality. We have revised the performance materiality percentage to reflect the increased risk due to identified misstatements (both adjusted and unadjusted) and one control deficiency on completion of 2023/24 audit.
Specific materiality for Senior officers remuneration	100,000	Any error relating to Senior officers remuneration might have added significance for the accounts as a whole and so we have applied a lower level of materiality.
Reporting threshold	980,000	Reporting threshold is set at 5% of the overall materiality.

30

31

03 Overview of significant and other risks identified

32

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
Risk 1 - Management override of controls	Significant	↔	✓	High	🟢
Risk 2 - The revenue cycle includes fraudulent transactions	Significant	↔	✓	Medium	🟢
Risk 3 - The expenditure cycle includes fraudulent transactions	Significant	↔	✓	Medium	🟢
Risk 4 - Valuation of land and buildings (including council dwellings) and investment properties	Significant	↔	×	High	🔴
Risk 5 - Valuation of the pension fund net asset/liability - assumptions applied by the professional actuary in their calculation	Significant	↔	×	High	🟢

↑ 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

Overview of audit risks

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Risk 6 – Equal Pay Claims	Other	↔	×	High	🔴
Risk 7 – Going Concern	Other	↔	×	Low	🟢
Risk 8 - Large panel systems – provision and valuation of assets	Other	↔	×	Low	🟡

33

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

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

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We have: • evaluated the design and implementation effectiveness of management relevant controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regards to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	We have completed our work in this area. The work has not identified any issues in respect of this risk.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in revenue recognition Under ISA (UK) 240, we have considered the rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition. In Audit Plan, we had determined that the risk of fraud arising from revenue recognition could be rebutted, because: - there is little incentive to manipulate revenue recognition; and - opportunities to manipulate revenue recognition are very limited. There have been no changes to our assessment as reported in the Audit Plan.	To gain assurance over revenue, we: - Tested a sample of revenue to gain assurance over the accuracy and occurrence of revenue recorded during the financial year. - Performed testing over post year-end receipts to assess completeness of revenue and receivables recognition.	We have completed our work in this area. The work has not identified any issues in respect of this risk.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in expenditure recognition Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. Given that the Council is facing financial pressures over multiple years, the risk of fraudulent expenditure recognition is not relevant or significant. Limited financial resources and the long-term nature of the financial challenges make it highly unlikely for there to be an incentive or opportunity to fraudulently recognise expenditure in any one particular year. We considered that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which have been considered as part of the standard audit tests and our testing in relation to the significant risk of management override of controls. We are satisfied that this does not present a significant risk of material misstatement or fraud in the 2024/25 accounts and there have been no changes to our assessment as reported in the Audit Plan.	To gain assurance over expenditure, we: - Tested a sample of operating expenses to gain assurance over the accuracy and occurrence of expenditure recorded during the financial year. - Performed testing over post year-end transactions to assess completeness of expenditure recognition.	We have completed our work in this area. We have identified one error in our testing which we extrapolated to conclude it would be well below the audit performance materiality. This extrapolated estimated error is set out in the audit adjustments in Section 06 Audit Adjustments.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings (including council dwellings) and investment properties The authority revalue its land and buildings on a rolling five-yearly to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date. The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as significant risk requiring special audit consideration. For assets which are not revalued by the external valuer in year, work is carried out with the aim of ensuring the carrying value is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date.	We have: • 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; • Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Assessed how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value; • Tested revaluations made during the year to see if they are input correctly into the Authority's asset register; • Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • Engaged an auditor's expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used.	Our audit work in this area is now complete We identified the following issue: - As part of our testing we challenged the valuation of New England House which in the Authority's own year end impairment considerations stated this should be impaired. However, in the professional valuation report the asset had a valuation of £8.475m. The Council's professional valuer stated that in the light of the fire safety issues around this property, that it should be valued at Nil. This was not adjusted by management as this was below materiality; - As part of our testing we noted a difference relating to the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost, which has not been correctly posted in the draft accounts. The total impact of the adjustment is £12.521m. This was proposed as an adjustment in the financial statements and management have opted to make the adjustment so that cumulative audit adjustments do not exceed our audit performance materiality. Some other minor disclosure and accounting policy amendments were also identified. These audit adjustments are set out in further detail in Section 06 Audit Adjustments. Other that these, there were no further issues identified in our audit procedures around the valuation of land and buildings.

37

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of pension fund net pension liability/asset The Authority's share of the pension fund net liability/asset, as reflected in its Balance Sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability/asset is considered a significant estimate due to the size of the numbers involved (£20.12m in the Authority's Balance Sheet at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. (Continued)	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtained assurances from the auditor of East Sussex 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 pension fund and the fund assets valuation in the pension fund financial statements.	We have completed our work in this area. The work has not identified any issues in respect of this risk.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability/asset (continued) The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's net pension liability/asset as a significant risk.		

Other risks

Risk identified	Audit procedures performed	Key observations
Equal Pay Claim The council has received 1,063 equal pay claims citing a number of areas of potential gender pay inequality. The council has a job evaluation scheme against which all jobs are evaluated and keeps under review its pay and allowances structure. The council considers that the claims are defensible and has commissioned external legal advice to undertake the detailed analysis and advise the council on potential defences or any potential risks they may pose. This process is likely to take at least two years. Authority management state that they do not therefore currently have any reliable data upon which to make any financial assessment or judgement for inclusion in the statement of accounts, and therefore the Authority has disclosed this issue as a contingent liability.	We have: • Updated our knowledge of the current status of the issue; • Met with the Council's legal adviser on the matter to discuss their view of the likelihood of the settlement of the claims; • Discussed and challenged the issue further with management, and obtained any further evidence that we need in order to conclude on whether it is reasonable to disclose this as a contingent liability as opposed to a IAS37 provision.	Our audit work is still in progress at the date of issue of this draft report. We have met several times during the year to discuss the matter and the continued assessments the Council is making around the claims. We have also met with the Council's external legal advisors to understand their assessment of the current position. The Council believes that the current assessment of a contingent liability is appropriate and will remain so at the 27 February 2026 backstop date (as per the Accounts and Audit (Amendment) Regulations 2024). Unless any new information emerges, we expect to conclude that the possible effect of this matter on the financial statements could be both material and pervasive. We would therefore issue a disclaimer of opinion on the financial statements as we did for the 2023/24 audit. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2024 by the backstop date.

40

Other risks

41

Risk identified	Audit procedures performed	Key observations
Going Concern The Council has three key financial risks that if they materialised could have a significant impact on the Council's financial sustainability in the short to medium term, and could require the Council to issue a s114 Notice. These are the budget gap for 2025/26 and the risk that sufficient savings cannot be found to meet that gap, and the risk of a successful equal pay claim (having recently received 1,063 equal pay claims). The Council's reserves remain low at £8.25m as of 31 March 2025, general fund reserves are considered by the Council to be at a minimum sustainable level and are not sufficient to be able to mitigate any overspends, lack of delivery of planned savings and the potential materialisation of these key risks. The Council's position is highly challenging and it could require further consideration of the feasibility of provision of non-statutory services. Although we don't consider there to be a material uncertainty around going concern for the Council, we also do not consider the risk to be remote.	We have: • Reviewed and consider the robustness of the Council's own assessment and reporting on the sufficiency of reserves; • Carried out review of the key assumptions in the Council's budget, medium term financial plan and cashflow forecasts and challenged them; and • Updated our understanding of all key emerging financial risks for the Council.	As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Other risks

Risk identified	Audit procedures performed	Key observations
Large panel systems – provision and valuation of assets As set out in our Audit Plan 2024/25 several large blocks of council dwellings containing large panel systems, were deemed non-compliant with Health & Safety standards. As a result, the Council's professional valuation expert amended their valuation of these blocks to Nil and this impairment was adjusted in the Council's financial statements for 2023/24. There is a potential risk that: - The council should make a provision for an estimate of the costs to rebuild/repair the blocks and any other costs associated with this; - The valuation of the blocks/other assets under construction associated with the blocks and repairs could be misstated.	We have: • Updated our knowledge of the Council's plans and current status, the Council's legal obligations and the Council's estimates of costs; • Challenged key assumptions in these estimates; and • Challenged the Council as to whether there is a current legal obligations/liability as a result of past events, and whether the this would now meet the criteria for recognition as a provision.	As part of the Council's responsibilities under the Building Safety Act 2022 and Social Housing (Regulation) Act 2023, it commissioned detailed structural surveys on buildings within its housing stock. It was reported the LPS eight blocks do not meet the current safety standards, in relation to their ability to resist a disproportionate collapse in the event of an explosion or large fire. Interim works to the blocks together with a number of management measures, have been implemented to ensure that the buildings remain safe to occupy whilst longer-term decisions are taken on the future of the blocks. A technical options appraisal of the eight blocks is underway and a paper was taken to July 2025 Cabinet outlining recommendations for the future of the blocks. Cabinet agreed that in principle the preferred option for addressing the structural and strengthening issues identified in respect of the LPS Blocks is the demolition and replacement of LPS Blocks with new homes in keeping with the housing needs of the city, and regeneration of the site. Management's view is this does not meet the criteria for recognition of a provision and would be in the form of a capital project in future years. The Council has not found a viable option for the long-term solution for the LPS blocks and different funding solutions are still being explored, as per the July 2025 cabinet paper. Therefore, the obligation to the council is possible, but depends on potential delivery partners, and cannot be reliably estimated at this time. Also, the structural surveys for the LPS blocks gave up to 5 years for the Council to deliver a long-term solution. There is not a current liability at this stage.

43

04 Other findings

Other areas impacting the audit

Issue	Commentary	
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.	During the audit, we have: • Evaluated management's processes for the calculation of the right of use asset and associated lease liability and the completeness of the disclosure. • Tested, on a sample basis, assumptions used in the calculation of the right of use asset and associated lease liability recognised as a result of implementation of IFRS 16.	**Auditor view** We evaluated management's processes for the implementation of the standard. We noted that management had carried out a significant process to set out a very detailed approach to making the estimate, alongside a robust set of assumptions and exercise in order to ensure that the Authority did achieve a complete compilation and treatment of all relevant leases for the standard. We tested a sample of the leases, and we found that the overall approach and assumptions made in making the estimate were reasonable. There were some minor accuracy issues with the inputs for estimate; specifically the monthly/annual lease payments and lease terms/end dates. We found that these caused some minor/immaterial errors across our sample. We extrapolated the total errors and we were satisfied that these could not cause material misstatement in the right of use assets and lease liabilities. We have set out the extrapolated total error from this testing in the unadjusted errors on page 53. We would not propose that management adjust the accounts based on these extrapolations and these are simply set out to demonstrate the overall immaterial level of errors and the assurance that can be taken from that. On page 57 we have made a control recommendation for an ongoing review of the accuracy of inputs for the IFRS 16 estimate. We are also testing a sample for completeness of the estimate from a listing outside the ledger. That work is ongoing at the date of finalising this report and we will update members on this at the meeting.

Other areas impacting the audit

Issue	Commentary

Issue

Historic Cost Adjustment (HCA) between the Revaluation Reserve and the Capital Adjustment Account, and Related Valuation Entries – Material Uncertainty

During our 2022/23 audit for our sample of assets that we test to gain assurance over the valuation, we also test the accounting entries to ensure that the closing valuations, depreciation write outs on revaluation and other expected accounting entries per the CIPFA Code have been made correctly.

When carrying out these checks an error was picked up impacting the unusable reserves. See the next column for full details.

Commentary

The issue

The Code section 4.1.3.2 states that “On a revalued asset, a transfer between the revaluation reserve and capital adjustment account shall be carried out that represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset’s historical cost.”

It was picked up in our 2022/23 testing sample of OLB revaluation in the testing of accounting entries that there were some unusual HCA adjustments. These adjustments effectively reversed 100% of the in-year depreciation charge for the asset from the revaluation reserve to the capital adjustment account. This flagged as unusual as you would always expect the HCA adjustment to be a proportion of the in-year depreciation charge due to the nature of the adjustment being to account for the difference in depreciation charge caused by the revaluation movements in the asset as against the historic cost.

This indicated that for some assets the historic cost in the background of the Council’s fixed asset module had been reduced to nil. After investigation of the sample and some wider assets the Council concluded that there had been some unusual adjustments only to the background historic cost entries in their fixed asset module. These entries appeared to impair the historic cost to Nil (or negative in some cases, but this did not impact the journal entries as they defaulted to a Nil value where the historic cost was negative).

This continues to be a persistent issue for the 2024/25 financial statements audit.

The impact on the accounts

The closing valuation entries are correct from our testing.

The accounting entries for the write out of accumulated depreciation on revaluation are correct from our testing. The adjustment between the Revaluation Reserve (RR) and the Capital Adjustment Account CAA). The Council has been making some HCA adjustments between the RR and CAA which are overstated on specific assets. It appeared that this issue could have persisted in the underlying historic cost and accounting entries for a number of years. It was not possible to demonstrate that the cumulative transfers between the RR and CAA are not material as the exercise to investigate and check all of the historic cost records in the Fixed Asset Register system for accuracy would be a very time consuming and potentially costly one.

The Council has chosen to include a Material Uncertainty disclosure in the Assumptions made about the Future and Other Major Sources of Estimation Uncertainty section of Note 3, as it is unclear what has caused the error in the historic cost, this has resulted in there being a material uncertainty in the accuracy of the total adjustment between the revaluation reserve and the capital adjustment account. The Material Uncertainty is limited to the value that these reserves are stated at within the Movement in Reserves Statement and Note 9. This error in the historic cost does not impact the asset valuations, depreciation charge or depreciation written out on revaluation accounting entries, and therefore the issue is not considered to be pervasive or fundamental to the users’ understanding of the financial statements. We have reviewed the Council’s disclosure in Note 3 of the financial statements and we consider this disclosure of Material Uncertainty to be accurate and adequate.

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Revenue is recognised in accordance with International Financial Reporting Standard (IFRS)15 Revenue Recognition from Contracts with Customers and International Public Sector Accounting Standard (IPSAS) 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Which of the two standards is applicable depends on determining whether the transaction is an exchange (IFRS 15) or non-exchange transaction (IPSAS 23). With non-exchange transactions there is no or only nominal consideration in return. The obligating extent is often determined by statutory prescription (e.g. council tax, VAT or a fine for breach of law) or may be a donation or bequest. For exchange transactions, assets or services and liabilities of approximately equal value are exchanged (e.g. fees and charges for services and the sale of goods provided). There is a contract which creates both right and obligations. Under IFRS15, the performance obligations in the contract have to be measured and the transaction price allocated to these obligations. Revenue is recognised when the performance obligations are satisfied.	• The policy is consistent with the relevant accounting framework. • Our testing has confirmed that revenue is being recognised in accordance with the accounting policy.	● GREEN
Expenditure recognition	The costs of central and departmental overheads (i.e. management and administration costs) and support services are charged to those services that benefit from the supply or service in accordance with the council's arrangements for accountability and financial performance. Where the cost of support services is included within a service segment as part of management reporting arrangements, they are not permitted to be apportioned across service segments within the CIES.	• The policy is consistent with the relevant accounting framework. • Our testing has confirmed that expenditure is being recognised in accordance with the accounting policy.	● GREEN

Assessment:

- ● Red = Marginal accounting policy which could potentially be open to challenge by regulators
- ● Amber = Accounting policy appropriate but scope for improved disclosure
- ● Green = Accounting policy appropriate and disclosures sufficient

46

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Valuation methods	PPE assets are initially measured at cost comprising purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the council, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The council does not capitalise borrowing costs incurred whilst assets are under construction. The costs of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). Assets are then carried on the balance sheet using the following measurement bases: • Community assets and assets under construction - historical cost. • Infrastructure assets - depreciated historical cost. • Council dwellings - current value determined using the basis of existing use value for social housing) (EUV-SH). • Assets where there is no market-based evidence of fair value because of their specialist nature and the asset is rarely sold (e.g. schools) – depreciated replacement cost is used as an estimate of current value. • Surplus assets – current value measurement base is fair value estimated at highest and best use from a market participant's perspective. • Non-property assets that have short useful lives or low values (or both) (i.e. vehicles, plant and equipment) – depreciated historical cost is used as a proxy for current value. • All other assets (i.e. other land and buildings) – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). (Continued)	We reviewed the Council's assessment of the estimate, considering; • Assessment of the Council's management's expert. • Undertaking testing on the completeness and accuracy of the underlying information provided to management expert (valuer) used to determine the estimate. • Reasonableness of increase/decrease in estimates on individual buildings. • Adequacy of disclosure of estimate in the financial statements. All the of the properties have been appropriately valued by the management expert.	● GREEN

47

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Valuation methods	Assets included on the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the end of the financial year, but as a minimum every five years. Where, following revaluation of an individual land and / or building asset, the value drops below the de-minimis level, the de-minimis value of the asset is revalued downwards to nil. Increases in valuation are matched by credits to the revaluation reserve to recognise unrealised gains, unless the increase is reversing a previous revaluation decrease or impairment loss charged to services within the CIES in respect of the asset in which case the revaluation increase may be credited to the CIES. Decreases in valuations are accounted for by where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains) and where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service within the CIES. Revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance therefore they are reversed out of the General Fund balance in the MiRS and posted to the Capital Adjustment Account. The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, being the date of its formal implementation. Gains arising before that date have been consolidated into the CAA.	See above comments.	See above comments.

48

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

49

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £736.4m at 31 March 2025 Valuation of Investment Property £49.6m at 31 March 2025	Other land and buildings comprises £501m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£237m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged several different valuers to complete the valuation of properties as at 31 March 2025 on a five yearly cyclical basis. 74% of total land and buildings, and investment properties, were revalued during 2024/25. The council produce an impairment statement and market review as part of their assessment of assets which may be (continued)	We undertook the following procedures: • We have reviewed the completeness and accuracy of the underlying information used to determine the valuation. This included testing accuracy of floor areas to plans provided to the valuer and testing of obsolescence and build cost assumptions. For investment properties, we reviewed the completeness and accuracy of rental income information, and the reasonableness of yield percentages applied in calculating the fair value. We have also assessed the appropriateness of the valuation method, the type of inspection performed, and any assumptions made in respect of local factors; • We are satisfied that the Council's expert is objective, competent and knowledgeable in their field of expertise; (continued)	GREEN

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £736.4m at 31 March 2025 Valuation of Investment Property £49.6m at 31 March 2025	Impaired as at 31 March 2025 under the requirements of IAS 36. The Council also produced working papers showing the estimated valuation movements for assets not valued at 31 March 2025 from the last date of valuation. Management assesses that these assets could be £9.78m greater than their carrying value in the balance sheet as at 31 March 2025. The total year end valuation of land and buildings was £736.4m, a net decrease of £25m from 2023/24 (£761.4m). The total year end valuation of investment properties was £49.6m, a net decrease of £6.8m from 2023/24 (£56.4m).	• We have reviewed the impact of any changes to the valuation method and incorporated this into our sample selection; • We have reviewed the consistency of valuations against our auditor's expert market trend report and adequacy of disclosure in the financial statements; • We engaged an auditor's expert to help assess the Council's valuation reports for land and building and investment property assets and used our expert to assess the method and assumptions. • We evaluated management's assessment of those assets not revalued in the year. We made our own assessment of the potential value of these assets at 31 March 2025.	See above.

50

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of council dwellings £1050.2m at 31 March 2025	The Authority owns 12,181 dwellings and revalues these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance stipulates that either the use of beacon methodology or discounted cash flow can be used to value council dwelling properties. The Authority has applied the beacon valuation method which entails a detailed valuation of representative property types which is then applied to similar properties. The Authority has engaged external valuer to complete the valuation of these properties. The year end valuation of council dwellings was £1050.2m, a net increase of £22.6m from 2023/24 (£1027.6m).	We undertook the following procedures: • 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. • Discussed with, and wrote to, the valuer to confirm the basis on which the valuation was carried out. • Engaged our own valuer expert to provide commentary on: the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and the guidance regarding the valuation of council dwellings and social housing. • Reviewed and tested a number of assets back to market data for properties in that area. • Reviewed a sample of assets to test the appropriateness of the Beacon applied as well as undertaking existence testing of a sample of assets. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.	● GREEN

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability £20.1m 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. (continued)	The Authority's net pension liability at 31 March 2025 is £20.1m (PY £22.9m). The Authority uses Barnett Waddingham to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. (continued)	We undertook the following procedures: • We assessed management's actuarial expert and concluded that they are competent, capable and objective in producing the estimate; • We engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of the information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable; • The auditors' expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management's expert. As set out below, all assumptions were within the expected range or explained by management to a sufficient degree. (continued)	● GREEN

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability £20.1m at 31 March 2025 (continued) IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan.	The latest full actuarial valuation was completed in 2023. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £9.3m net actuarial gain/loss during 2024/25.	See the assumptions table and commentary below.	

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.8%	5.80% – 5.85%	Reasonable
Pension increase rate	2.90%	2.85% - 2.95%	Reasonable
Salary growth	2.90%	2.85% - 3.95%	Reasonable
Life expectancy – Males currently aged 45/65	21.9 years	20.6 - 23.1 years	Reasonable
Life expectancy – Females currently aged 45/65	25.4 years	24.1 - 25.7 years	Reasonable

- We carried out analytical procedures to conclude whether the Council's share of LGPS pension assets and liabilities were reasonable. We concluded that the Council's share of assets and liabilities was analytically in-line with our expectations;
- We have confirmed from the auditor of East Sussex Pension Fund as to the controls over the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Pension Fund and the fund assets valuation in the Pension Fund financial statements.

53

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision £29.7m in 2024/25	The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its minimum revenue provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £29.7k, a net increase of £17.1k from 2023/24. This represents a 2.82% charge against the general fund capital financing requirement (CFR).	We have completed our work on review of MRP estimate to conclude; • The MRP has been calculated in line with the statutory guidance • The Authority's policy on MRP complies with statutory guidance. • The Authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full Council • Reasonableness of the increase in MRP charge New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.	● GREEN

54

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

55

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Civica Financials	ITGC assessment (design effectiveness)	● Green	● Green	● Green	● Green	No other risks
NEC (formerly Northgate)	ITGC assessment (design effectiveness)	● Green	● Green	● Green	● Green	No other risks
i-Trent	ITGC assessment (design effectiveness)	● Green	● Green	● Green	● Green	No other risks
Carefirst	ITGC assessment (design effectiveness)	● Green	● Green	● Green	● Green	No other risks

Assessment:

- ● [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● [Black] Not in scope for assessment

56

05 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	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations. • We have not identified any incidences from our audit procedures performed.
Written representations	• A letter of representations will be requested from the Authority.
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent and have been received as part of our final accounts work. No issue arising.
Disclosures	• Our review found no material omissions in the financial statements.
Audit evidence and explanations	• All information and explanations requested from management was provided.

58

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 Authority's financial sustainability is addressed by our value for money work, which is covered in our Auditor's Annual Report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority 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 Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. As explained on p25, as we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified thus far, however subject to completion of the outstanding audit procedures. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Authority does not exceed the threshold.
Certification of the closure of the audit	We cannot yet certify the closure of the 2024/25 audit where confirmation has not been received from the NAO that the group audit (Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code.

06 Audit adjustments

Audit adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Heritage Assets The valuation of an asset as per the Financial Statements did not agree the valuation as per the insurance report. Hence, there is an understatement of £12.68mn in the total valuation of Heritage Assets as at 31/03/25.	Nil	Dr Heritage Assets £12,680 Cr Revaluation Reserve £12,680	Nil	Nil
Depreciation written down to Revaluation Reserve As part of our testing of Other Land and Buildings we noted an adjustment relating to the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost, which has not been posted in the draft accounts. The total impact of the adjustment is £12.521m which is taken from the Logotech report. However, the amount in the report is also incorrect owing to the material uncertainty relating to Historic Cost adjustments. Whilst there is uncertainty regarding the accuracy of the £12.521m this figure should be disclosed in the accounts until the issue is resolved.	Nil	Dr Revaluation reserve £12,521 Cr CAA £12,521	Nil	Nil
Overall impact	0	0	0	0

Audit adjustments

Misclassification and disclosure changes

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

62

Disclosure	Misclassification or change identified	Adjusted?
CIES	**Classification issue in CIES** We identified a classification issue where income of £3.223m was classified in cost of services (Homes Adult Social care £0.853m and Family Children & Wellbeing £3.147m). This should have been classified as 'Non ringfenced Gov Grants'. Management agreed with this and have adjusted this in the financial statements.	✓
CIES	**Presentation of CIES** Under the CIES, there is disclosure that explains the change in the presentation of the CIES. Under the Code this should not be part of the primary statements and should be reported as a note to the accounts. Management have agreed to remove the disclosure from the primary statement and add it as note 30 instead.	✓
CIES	**De-recognition of Financial Asset** While performing our work on write-off of i360 loan, we noted that the management has booked ECL in previous years. However, in the current year instead of recording a loss on the remaining balance, they have reversed the previously booked ECL and recognised a loss on the higher amount which does not reflect the economic substance of the transaction on the face of CIES. Hence, the loss of £8.95m should be shown under CIES in the line item 'De-recognition of Financial Asset' and similarly the £26.525 should be reversed back under cost of service to balance this out. This will have an impact on Note 9 (CAA) and Note 7 (Adjustments between Accounting Basis and Funding Basis under Regulation) as well. Management agreed with this and have adjusted this in the financial statements.	✓

Audit adjustments

Misclassification and disclosure changes

Disclosure	Misclassification or change identified	Adjusted?
Cashflow Statement	**Cashflow Statement** While performing our work on cashflow statement, we noted that: - An entry relating to the adoption of IFRS 16 was included in investing activities and reports a cash outflow of £40.890m, however the implementation of IFRS 16 is not expected to have an additional cash flow effect. - The financing activities section reported a £5.045m reduction in Private Finance Initiative (PFI) liabilities, consistent with Note 19. However, this did not appear to reflect the repayment of lease principal, which Note 17 disclosed as £14.188m. Our auditor view was that the impact of ROUA in investing activities should be removed and the repayment of lease principal should be included in financing activities. Management agreed to update the cashflow by removing the right of use assets cash outflow of £40.890m from investing activities and including the repayment of lease principal of £14.188m in financing activities. The £40.890m entry to the bring the right of use asset onto the balance sheet, along with the £34.582m entry to creditors and £6.038m entry to the capital adjustment accounts were reversed, thereby ensuring the cashflow still balanced.	✓
Note 3	**Critical Judgements and Assumptions Made (Fixed Asset Accounting)** Note 3 includes a disclosure regarding fixed asset accounting disclosing a material uncertainty with respect to the historic cost adjustment revaluation entries and their impact on the revaluation reserve and capital adjustment account. The Council are effectively setting out a Code-compliant accounting policy but due to record keeping/asset management system it is not possible to fully/accurately apply this accounting policy to make the historic cost adjustment entries upon asset revaluation. We have proposed this does not meet the definition of estimation uncertainty under IAS1 and would be more appropriately disclosed under critical judgements as a departure from the requirements of the Code. Management have agreed with our challenge, and this disclosure has been repositioned in the accounts.	✓

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
	Critical Judgements and Assumptions Made (PPE and Valuation of HRA dwellings) Note 3 includes the estimation uncertainty disclosures around PPE and Valuation of HRA dwellings that do not comply with the requirements of IAS 1. - The carrying value of £2.023m includes assets that are neither valued nor depreciated, and therefore not subject to the estimation uncertainty being disclosed. Additionally, this figure includes £1.050m of HRA dwellings, which are then separately referenced in the following disclosure, resulting in duplication and lack of clarity. - There is no explanation of the assumptions underlying the uncertainties, nor is there a sensitivity analysis. The reference to a £20m change is just 1% of total PPE which is not appropriate or informative. - The HRA disclosure mentions the discount factor but fails to explain how changes in this assumption would affect the carrying value. It is stated that a reasonably possible change could result in a £105m movement, yet there is no indication of what specific changes in assumptions would lead to such a shift. Management has agreed to separately identify the net book value of operational assets subject to potential revaluation (£736.416 million) and council dwellings (£1,028 million) and explain the impact of changes in estimated valuations, including movements in the Revaluation Reserve and the Comprehensive Income and Expenditure Statement. The revised note now clarifies depreciation charges for operational buildings will vary directly with the changes in estimated current value, noting that £33.169 million was charged during 2024/25. Furthermore, the revised wording acknowledges the risk of over- or under-stated depreciation in the event of significant revaluation movements or impairments. While a sensitivity analysis has not been included due to the absence of such data in the valuer's report, the amended disclosure now provides a more transparent and informative explanation of the estimation uncertainties affecting PPE. We have raised a control recommendation that the Authority obtains a more detailed sensitivity analysis in future years.	✓
Note 5	**Expenditure and Funding Analysis** We noted an organisational restructure in CY where the PY amounts in CIES have also been restated to reflect the changes in organisational structure. However, the EFA at note 5 is not restated and so for 2023/24 reports different amounts and different segments than those presented in the CIES. We are satisfied no restatement for EFA disclosure is required as this will not add value to the understanding of the Financial Statements. However, management agreed to add a note under the EFA table stating that there has been an organisational restructure but the comparative figures for this note have not been restated.	✓

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 10	**Missing Comparatives for Contractual Commitments** We noted that management has not disclosed the comparative figures. Management has agreed to add in the total commitments for the comparative year but not the detail per scheme, which is appropriate as per the code.	✓
Note 10	**Valuation split of non-current assets** Some values relating to assets valued at historical cost/ fair value during the year were incorrect in Note 10 in the draft accounts, relating to OLB & Surplus assets. Management has agreed to amend these values as follows: 1. OLB assets revalued during 24/25 should be £520,941 2. OLB assets valued at cost should be 543 3. Surplus assets revalued during 24/25 should be £2,585 4. Surplus assets revalued in 23/25 should be £1,450 Management has acknowledged the errors as above and agreed to amend the note accordingly.	✓
Note 12	**Issues noted in Financial Instruments** During our review, we noted that: - Note 12 states that the fair value of the long-term financial assets is lower than the carrying amount and provide explanation which is not correct as the FV is higher than the carrying amount of financial assets. - Note 12 states that Early repayment or impairment is recognised on financial assets, which is also incorrect as no such early repayment or impairment is recognised . - With the implementation of IFRS 16, no fair values or associated disclosures should be reported for PFI or lease liabilities. - Revenue Grants RIA has been classified as Financial Instrument which is not correct as it doesn't meet the definition of Financial Instrument and should be removed from Note 12. Management has acknowledged the errors as above and agreed to amend the note accordingly.	✓

65

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 13	**Issue in Comparatives in Debtors** During our review of the Note 13, we identified an error in comparative figures where management has erroneously used the 2022/23 figures as comparatives rather than 2023/24. Management has acknowledged the error and agreed to amend the note accordingly.	✓
Note 16	**Senior Officer Remuneration** In the disclosures of Senior Officers' Remuneration, one officer's salary was incorrect calculated/apportioned for the amount disclosed. Management agreed the error as highlighted, and the salary was accordingly amended from £99,869 to £83,367.	✓
Note 19	**Contingent Liability** We have suggested to include the contingent liability for virgin media case in current year. Management agreed with this and have amended this accordingly in the financial statements.	✓
Note 21	**Incorrect classification of Grants** We noted that the figure reported in note 16 for Revenue Government Grants credited to taxation and non-specific grant income is £87.76m whereas the CIES reports it as £84.527m. Management explained there are 3 grants that have been incorrectly classified on the ledger which led to them being incorrectly analysed in the CIES. Management has agreed to amend the CIES, whereas the Note 16 disclosure was already correctly stated.	✓
Note 25	**Closing Impact of Asset Ceiling** We noted that the Note 25 relating to pensions reports the highly material adjustment of 395m for closing impact of the asset ceiling whereas the bullets at page 75 state that "the value of the asset ceiling is therefore nil", which is not correct. Management has agreed to update the Note 25 to reflect this.	✓
Note 28	**ORBIS Joint Operating Budget** We noted that the Orbis shared back office services partnership between Brighton and Hove City Council, East Sussex County Council, and Surrey County Council is disclosed as £7,739,000 in the accounts for East Sussex County Council where this should be £4,738,850 as per the Orbis Operating Budget 2024/25 Equalisation. Management has acknowledged the error and agreed to amend the note accordingly.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements as they are considered by management to be immaterial. The Audit, Standards and General Purposes Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Overstatement of Additions We noted an error where management failed to accrue for a capital accrual of £54,650 of relating to the 2023/24 financial year. As a result, this expenditure was incorrectly capitalised in 2024/25, leading to an overstatement of the additions balance in this year. Our assessment of the extent of the error on extrapolation is that it would be a maximum of £1,024k which is below our Performance Materiality, and therefore this is being reported as an unadjusted misstatement. Note this an estimated extrapolation, below our performance materiality – we would not suggest any adjustment that was made based on an extrapolation.	Nil	Dr Payables £1,024 Cr PPE £1,024	Nil	Nil
Overall impact of current year unadjusted misstatements	0	0	0	0

Audit adjustments

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Impairment of Investment Property As part of our testing of Other Land and Buildings we challenged the valuation New England House which in the Authority's impairment considerations concluded should be impaired. However, in the professional valuation report the asset had a valuation of £8.475m. The Council's professional valuer stated that in the light of the fire safety issues around this property, that it should be valued at Nil.	Nil	Dr Revaluation reserve £8,475 Cr Other Land and Buildings £8,475	Nil	Nil
Completeness of capital additions: omission of capital accruals In our testing of invoices received after the year end to gain assurance over the completeness of expenditure in the 2024/25 accounts, we found three items which related to work completed before the 2024/25 year-end but had not been accrued correctly. The total amount of this error was £1,055k. We tested further invoices from the population and found no errors so we were satisfied that this was an isolated factual error.	Nil	Dr PPE £1,055 Cr Payables £1,055	Nil	Nil
Overall impact of current year unadjusted misstatements	0	0	0	0

Audit adjustments

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
IFRS 16 first year application: in our testing of the approach and assumptions used in the first year application of IFRS 16 we found some minor errors in the lease payments and terms used as inputs. These were aggregated and extrapolated where we had achieved significant testing coverage of the exercise. We were satisfied that these could not cause material misstatement in the right of use assets and lease liabilities. We have set out the extrapolated total error from this here. We would not propose that management adjust the accounts based on these extrapolations and these are simply set out to demonstrate the overall immaterial level of errors and the assurance that can be taken from that.	£0.301m	Understatement of opening lease liability and right of use asset by £2.666m Understatement of depreciation on right of use assets by £0.301m Understatement of closing lease liability by £1.148m Understatement of closing right of use asset by £0.390m	£0.301m	Nil
Overall impact of current year unadjusted misstatements	£0.301m	£1.059m	£0.301m	Nil

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Completed AuC Project not Transferred to Council Dwellings The Council have accumulated construction costs of £23,923k related to 3 blocks in Coldean Lane. In the preparation of the accounts, the Council have been informed that 2 out of the 3 blocks had been completed during the year. As a result, they have transferred 2/3 of the total construction costs incurred out of AuC to Council Dwellings. The related Council Dwellings were then revalued at their EUV-SH at year-end. The remaining 1/3 of the costs remained in AuC at year-end. However, further information after the preparation of the accounts confirms the final block had also been completed during the year. As a result of this information, the £7,974k construction cost sitting at AuC at the end of the year is incorrect as the asset had become operational during the year. Additionally, the amount that was transferred to Council Dwellings would have been revalued to their EUV-SH at year-end. Based on Beacon values, we determined the valuation loss to be £3,559k.	Dr Loss on Revaluation £3,559	Dr PPE (Council Dwellings) £7,974 Cr PPE (AuC) £7,974 Cr PPE (Council Dwellings) £3,559	Dr £3,559	Cr £3,559	Immaterial

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Large Panel System Asset Impairment – Gross Book Value Transactions Transactions recorded against LPS assets (now fully impaired) in 2023/24 resulted in a decrease in their gross book value of £484k. Due to these assets now having been impaired to nil, via a prior-period adjustment, these transactions would need to be reversed. The reduction in the GBV of £484k was made up of: **Gross Book Value Adjustments:** - Additions of £1,924k - Revaluation gain of £167k - Revaluation loss to the CIES arising from adjustment of GBV of £1,474k - Revaluation loss to the Revaluation Reserve arising from adjustment of GBV of £1,101k	Dr CIES (Additions impairment) £1,924 Dr CIES (Reversal of Reval gain) £167 Cr CIES (Reversal of Reval loss) £1,474	Cr PPE (Additions) £1,924 Cr PPE (Reval gain) £167 Dr PPE (Reval loss to CIES) £1,474 Dr PPE (Reval loss to RR) £1,101 Cr Revaluation reserve £1,101	Dr £617	Cr £617	Immaterial

72

Impact of unadjusted misstatements in the prior year

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Large Panel System Asset Impairment – Accumulated Depreciation Transactions Reversing the transactions associated with the depreciation recorded against the LPS assets in 2023/24 would have the following impact: **Adjustments for Accumulated Depreciation:** - Depreciation charge to CIES of £483k - Revaluation loss to the Revaluation Reserve arising from adjustment of AD of £367k - Revaluation loss to the CIES arising from adjustment of AD of £116k	Cr CIES (Depreciation expense) £483 Dr CIES (Reversal of AD) £167	Dr PPE (Reversal of depreciation) £483 Cr PPE (Reversal of AD write back) £167 Dr Revaluation Reserve (Reversal of AD write back) £116 Cr PPE (Reversal of AD write back) £116	Cr £316	Dr £316	Immaterial
Overall impact of prior year unadjusted misstatements	Dr £3,860	Cr £3,860	Dr £3,860	Cr £3,860	0
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	Dr £3,860	Cr £3,860	Dr £3,860	Cr £3,860	0

Action plan

We set out here our recommendations for the Authority 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	While performing our work on IFRS-16 , we noted the detailed calculations relating to transitioning into IFRS 16 have been completed by the Principal Accountant. However, there has been no review of the assessments and calculations by the more senior suitably qualified individual in the finance team. We also noted that there were some minor accuracy issues around the lease payments and terms as inputs to the estimate of lease liability/right of use asset.	We recommend that in future financial years for any significant new accounting standards which are introduced/applied, there is additional segregation of duties applied in the process so that any significant judgements/assessments and calculations made by a member of the finance team are counter-reviewed for accuracy and reasonableness ahead of full application. This will reduce any potential for errors/misapplications, though note that our view is that the approach and process applied for the application was otherwise a detailed and robust one. While the accuracy issues around lease payments and terms did not cause any significant errors in the estimate, we would recommend an ongoing review exercise in departments around the existing and new/extended leases to ensure that payments and terms are updated accurately. **Management response** Agreed - the council will ensure any future significant judgements/assessments and calculations are appropriately reviewed and will commence a review of terms and payments of leases to ensure their accuracy in the accounts

Key

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

Action plan

Assessment	Issue and risk	Recommendations
● High	As set out in Section 04 of this report, The council has disclosed a Material Uncertainty disclosure in the Critical Judgements Note 3 where they are unable to comply with the Code and the Authority's accounting policy for property, plant and equipment revaluation accounting in carrying out the historic cost adjustment. This issue is due to their record keeping/asset management system .	We recommend management sets out a plan to investigate and resolve the issue with the fixed asset management system/record keeping so that this issue can be resolved and so that any historic erroneous entries in the system can be corrected and so that the Authority has assurance over the correctness of the 2 unusable reserves which are impacted. **Management response** Agreed - the council will compile a plan to investigate the issue and assess possible resolution
● Medium	As set out in Section 06 of this report, The council has disclosed a Estimation Uncertainty disclosure in the Critical Judgements Note 3 where they are have not included a detailed sensitivity analysis due to absence of such data in the valuer's report. Therefore the disclosure does not meet the requirements of IAS1 to state clearly the areas of the assumptions which could cause material year on year variance in the outcome of the estimate.	We recommend that management obtain a more detailed sensitivity analysis in future years from the valuer. **Management response** Agreed - the council will request a more detailed sensitivity analysis as part of the valuation reports provided by valuers

74

Key

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

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2023/24 financial statements, which resulted in 1 recommendation being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Reporting of Kingsway to the Sea Capital Project We identified some weaknesses in management's accounting for, and reporting of, the Kingsway to the Sea capital programme. We noted several classification issues related to this programme. Firstly, capital expenditure was recorded to the Infrastructure asset class despite the assets not being operational. Whilst not material, these were still significant sums of money, thus creating a risk of material misclassification in future periods. Further, we identified one instance where an invoice for works received in 2023/24 was not accrued for in the correct period. Multiple instances of misstatement under the same project has driven our control recommendation.	Management have introduced more detailed review of capital additions at the year end to ensure that the cut off accounting treatment is correct. This is particularly applied around largescale/material capital projects which are ongoing. While there was a minor immaterial cut off error identified in our testing as set out above (£1,055k in total), we are satisfied that the measures put in place by management are satisfactory to mitigate any risk of material misstatements.

Assessment

✓ Action completed

X Not yet addressed

76

07 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. Our draft AAR has been issued with management and will be formally presented to the 27 January 2026 Audit, Standards & General Purposes 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 identified significant weaknesses in arrangements in each of the three VFM criteria. These relate to existing issues raised in the previous year and are explained in detail in our Auditor's Annual Report which will be presented to the 27 January 2026 Audit, Standards & General Purposes Committee.

78

08 Independence considerations

Independence considerations

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 Authority 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 Authority or investments in the Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority 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 Authority.
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 Authority, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [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

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

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

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

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

Audit fees	**£**
Audit of Authority	£450,108
Recharge of costs for PPE Valuation expert engaged for the audit	£6,000 (yet to be invoiced by the provider, so TBC)
Additional fee for increased work on the first year application of IFRS16 detailed testing and review of the authority’s disclosures – not included in scale fee.	£13,349
Total Audit fee:	£469,457
Certification of Housing Benefits	£34,253
Teachers Pensions return certification	£12,500
Total	£516,210

Fees and non-audit services

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits	£34,283	£34,253 with an adjustment for CPI. (proposed fee being discussed with management)	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management threat (if GT were to recommend a particular action or make a decision on behalf of management)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £34,253 with an adjustment for CPI (plus £1,500 day rate for any additional reperformance/ other work necessary outside of the core agreed fee) in comparison to the total fee for the audit of £450,108 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. The scope of this work does not include making decisions on behalf of management or recommending a particular course of action.
Teachers Pensions return certification	£12,500	£12,500	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management threat (if GT were to recommend a particular action or make a decision on behalf of management)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £450,108 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. The scope of this work does not include making decisions on behalf of management or recommending a particular course of action.

Fees and non-audit services

Audit fees	£
Scale fee	£450,108
Recharge of costs for PPE Valuation expert engaged for the audit	£6,000 (yet to be invoiced by the provider, so TBC)
Additional fee for increased work on the first year application of IFRS16 detailed testing and review of the authority's disclosure – not included in scale fee.	£13,349
Total audit fees (excluding VAT)	**£469,457**

Non-audit fees for other services	£
Certificate of Housing Benefits	£34,253
Teachers Pensions return certification	£12,500
Total non-audit fees (excluding VAT)	**£46,753**

82

The above fees are exclusive of VAT.

The fees agree to the financial statements.

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

Appendices

A. Communication of audit matters with those charged with governance

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

84

A. Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

86

Grant Thornton