The Audit Findings (ISA260) Report for North Somerset Council

Year ended 31 March 2024

Issue Date 28 November 2024

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28 November 2024

Dear Amy Webb

Audit Findings for North Somerset Council for the 31 March 2024

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

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

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

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 drive audit quality by reference to the Audit Quality Framework. 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-2023.pdf (grantthornton.co.uk).

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

Grace Hawkins

Director
For Grant Thornton UK LLP

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of North Somerset Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

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

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local 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 the 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 remotely during July-November. Our findings are summarised on pages 8 to 25. We have identified 4 adjustments to the financial statements that have resulted in a £0m adjustment to the Council's Comprehensive Income and Expenditure Statement. One of these adjustments has impacted the opening balance of useable reserves by £3,762k, please see page 44.

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

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

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

Our financial statements audit report opinion is unmodified. We have issued your opinion on 28 November 2024.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

Our work on the Council's value for money (VFM) arrangements is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The work has been completed and we have held discussions with our VFM colleagues. In summary we have identified one significant weakness in the area of Financial Sustainability. This weakness relates to the dedicated schools grant (DSG) deficit and continuing to take action to reduce this deficit.

In addition to the above we have also identified 6 improvement recommendations. Please refer to page 23 and the auditors annual report for more details on our findings.

Statutory duties

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

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

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

We have completed the majority of work under the Code and expect to be able to issue an unqualified opinion. The certification will be delayed to the need to complete WGA procedures.

Significant matters

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

1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. As a consequence of this, the authority's accounts for (years up to 2022/23) are expected to be backstopped and a disclaimer of opinion issued. The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

This issue at the current time has no impact on North Somerset Council as we intend to sign off the 2023-24 accounts and opinion well in advance of the above backstop date. There is also a backstop date for the 2024-25 year, and we do not currently envisage there being any issues in meeting this deadline.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. North Somerset is not immune to the challenges of the current financial environment, and there has been a significant decrease in the value of investment properties over the past few years as a result of prevailing conditions. However, the council are taking steps to manage this process and have avoided making inappropriate investments outside the geographical areas of North Somerset. The challenge will remain for the coming years, and we will continue to monitor the Councils performance, both in their financial statements and through the assessment of the VFM process.

2. Financial Statements

Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the group and Council's business and is risk based, and in particular included:

- An evaluation of the group internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the Councils gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of North Somerset Environment Company was required, which was completed by Westcotts.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have had to alter our audit plan, as communicated to you on the 25 April 2024, to reflect a change in audit categorisation. Upon receipt of the draft financial statements, we identified that the Council's expenditure has now risen above £500m for the first time in recent year. As a result, this has changed our assessment of the audit risk and the Council is now classified as a major local audit (MLA). The practical changes to our audit approach is as follows:

- Materiality has now been capped at 1.5% of gross expenditure (reduced from 2%).
- We are required to engage an additional review partner from Grant Thornton, known as an Engagement Quality Control Reviewer (EQCR).
- We are required to engage our financial reporting team to carry out a 'hot review' of the draft financial statements. This will now take place every other year.
- We are required to engage an auditor's valuation expert to review elements of the investment property and property, plant & equipment valuations.
- In addition to the above, emerging guidance which came out in September 2024 has meant we have had to perform additional procedures around IFRIC 14. This area of work concerns the pension liability. Where previously this work was only considered where there was an asset position, we must now perform the work even where there is a liability position, as is the case with North Somerset Council.

Conclusion

We have completed our audit of your financial statements and have issued an unqualified audit opinion following the Audit Committee meeting on 28 November 2024.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

Materiality levels have been updated since our audit plan due to the major local audit (MLA) classifications as communicated in our August update report. We have revised the headline materiality percentage to reflect the 1.5% materiality cap for MLA audits (Previously 2% per the audit plan).

Performance materiality remains at 75% however due to the change in headline materiality as set out above, the amount for performance materiality has decreased from that set out in the plan.

We set out in this table our determination of materiality for North Somerset Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£7,000,000	£6,900,000	This has been set at 1.5% of gross expenditure in line with MLA requirements.
Performance materiality	£5,250,000	£5,175,000	Set at 75% of materiality.
Trivial matters	£350,000	£345,000	Set at 5% of materiality and reflects a level to which stakeholders are unlikely to be concerned by uncertainties.
Materiality for Senior Officer Remuneration		£20,000	This is a politically sensitive figure to the users of the accounts.

2. Financial Statements: Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Risk relates to
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • Tested any unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration Our journals testing identified that the Council posted 97,882 transactions to the ledger, of this 4,394 were manual journal postings. There are 67 different user IDs that have posted to the ledger in the year. A breakdown of this has been added in appendix G for members information. In total we selected 28 journals for testing with a focus on the manual user entries. Our initial review of the control environment has identified that NSC continues to be a low-risk organisation. Our primary journals testing of the 28 journals selected did not highlight any significant issues. All were appropriately supported and were found to be valid business-related journal entries. We therefore conclude that no instances of error or fraud were identified from our review. However, a number of control deficiencies were identified as set out below: As per prior years findings, there is a lack of secondary authorisation of journals. Management has implemented a mitigating control whereby there is a year-end review of some journals. We were initially provided with a GL transaction listing which did not balance to zero. Upon investigation this was caused by the GL report not picking up some codes which did not have a directorate mapping. This issue was rectified but caused audit delays. We identified that there were many GL entries with effective dates outside of the 2023-24 year, many of these dates were caused by user input error. One transaction was a posting in error which related to 2024-25 but was posted to 2023-24. This posting was corrected but was posted after the draft accounts had been completed, when the period was closed. This posting error did not impact the draft accounts and managements controls identified and resolved the issue. However, we have raised a control point because this issue has outlined that certain journal types and circumvent password controls on closed periods. Please refer to appendix B for full details. The above issues have been reported as control deficiencies and more detail can be found in appendix B where we have included audit recommendations. All issues identified were incorporated into our journal's selection of 28 as above, and our testing did not pick up any further issues with any journals.	All Group entities.

2. Financial Statements: Significant risks

(Continued)

Risks identified in our Audit Plan	Commentary	Risk relates to
The revenue and expenditure cycles include fraudulent transactions (rebutted) Under ISA (UK) 240 there is a 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 relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue and expenditure streams at the audited body, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because: • There is little incentive to manipulate revenue or expenditure recognition; • Opportunities to manipulate revenue and expenditure recognition are very limited; and • The culture and ethical frameworks of public sector bodies, including North Somerset Council, means that all forms of fraud are seen as unacceptable. • We note that no significant issues were identified during the prior year's audit in these areas. Therefore, we do not consider this to be a significant risk for the audited body.	All group entities

2. Financial Statements: Significant risks

(Continued)

Risks identified in our Audit Plan	Commentary	Risk relates to
Closing Valuation of land and buildings (Rolling Revaluation) The Council revalues its land and buildings on a rolling basis. In the intervening years, to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statements date, the group requests a desktop valuation from its valuation expert to ensure that there is no material difference. This 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 a significant risk, which was one of the most significant assessed risks of material misstatement.	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; • Engage our own expert to assess the instruction to the Councils valuer and the Councils valuation report; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • Tested a sample of revaluations made during the year to see if they had been input correctly into the asset register. Our work on the Land and Building revaluations has now concluded. In summary, we have identified three assets with non material errors in their valuations. These are described in detail in appendix D. These remain unadjusted on the basis of materiality. In addition, we have also made a recommendation point linked to the above and relates to the Council needing to ensure that all assets have appropriate floor area information for the valuer to rely on. As in the prior year, we have identified that the valuer does not provide formal assurance over the potential movements in asset values between the valuation date (1st January) and the year end. A recommendation has been issued for this. We have also identified that the Council continues to have a material gross book value and accumulated depreciation of Vehicles, Plant and Equipment (VPE) assets held at Nil NBV. Although the net impact of the accounts for this issue is nil i.e. no impact on the financial statements. There is a risk that the gross assets and gross depreciation as reported in the PPE note is overstated. Management confirmed that no review of these assets has taken place in 2023-24 to ascertain as to whether they are still in operational use. A recommendation has been raised for this. In addition, we identified several assets on the fixed asset register which are no longer owned by the council and had been disposed of in previous year. Management stated these were kept for record keeping purposes. All the assets identified are held at nil value and are no longer disclosed in the accounts. However, our view is that these should not be of the FAR and management should keep a separate record of these assets outside of the FAR if they wish to do so. Therefore, we have raised a recommendation on this also. No other significant issues have been noted.	Council

2. Financial Statements: Significant risks
(Continued)

Risks identified in our Audit Plan	Commentary	Risk relates to
Closing Valuation of Investment Property (IP) (Annual Revaluation) The Council revalues its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This 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. The Councils commercial investment portfolio consists of the North Worle District Centre and the Sovereign Centre is Weston Super Mare. Management have engaged the services of an external valuer to estimate the value of these assets at 31st March 2024. We therefore identified valuation of investment properties as a significant risk, which was one of the most significant assessed risks of material misstatement	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; • Engaged our own expert to assess the instruction to the Councils valuer, the Councils valuer report and the assumptions that underpin the valuations or the North Worle District Centre and the Sovereign Light Centre. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • Tested revaluations made during the year to see if they had been input correctly into the asset register. Our work on the Investment Property valuations has now been completed. In summary, we have not identified any significant issues in the valuations to report. Our testing has concluded that the IP valuations are not materially misstated. We have identified two non material errors in the valuations. These remain unadjusted on the basis of materiality. Please refer to appendix D for the full detail behind these. We have raised an associated recommendation in appendix B. Our testing identified that for the asset titled 'Locking Head Farm', the valuer was unsure as to the exact land area to use for the asset. The valuer used the area as per the Councils map based records, but other data from the various lease agreements available gave a different land area. Our analysis shows that the potential impact of this is an asset overstatement of £404k. Although not material, we have recommended that for future valuations the exact land area for this asset is determined so that there is no ambiguity. Lastly, we identified that the investment property note includes a comment on the valuation approach, stating that all investment properties were valued by internal experts at the Council. However, we noted that two assets (North Worle and the Sovereigh shopping centres) which constitute a significant portion of the Council's investment properties, were valued by an external valuer (JLL). An additional comment on this has been added for clarity. No other issues were noted.	Council

2. Financial Statements: Significant risks

(Continued)

Risks identified in our Audit Plan	Commentary	Risk relates to
Valuation of pension fund net liability The Councils pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. 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 their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management 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 group's pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtained assurances from the auditor of Avon 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. Our work in this area has now concluded. In summary, no significant issues have been identified with the actuary, their assumptions or the methodology they have employed in the calculation of the IAS19 values. We have identified a non-material error in the liability which has been caused by the inclusion of benefits paid figures for Alliance Homes, who in previous year were associated with North Somerset, but exited the scheme in 2023. We requested that an updated IAS19 report was commissioned in order to ascertain the impact of this error. The overall impact was a net overstatement of the pension liability by £50k. Please refer to appendix D for full details. As part of our work we have also reviewed the impact of IFRIC14 on the pension figures. The assessment of IFRIC14 is in line with emerging national guidance which came out in September 2024. This related to the potential understatement of pension liabilities as it was found actuaries were not appropriately considering secondary contributions. Our review did not identify any issues, and this had no impact on North Somerset Council	Council

2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
North Somerset Council	Grant Thornton	Please refer to pages 8-13 for significant risks work undertaken as well as any issues identified.	There is no impact on the group audit opinion.
North Somerset Environment Company	Westcotts	Full scope UK statutory audit undertaken by North Somerset Environment Company auditor's, Westcotts. The nature time and extent of our involvement with the work included a discussion on risks and appropriate correspondence with relevant members of the engagement team.	Our work in this area has concluded and we have not identified any issues to report to members. The NSEC audit has not yet been finalised and therefore we were unable to review the final audit opinion. However, we have received confirmation from Westcotts that all work has been completed in relation to employee expenditure which is the only material group expenditure stream. No issues were identified in this area. Westcotts also confirmed that to date they have not identified any issues regarding management override of controls or going concern. Our view is that NSEC is not a significant component and our procedures in reviewing the NSC journals and the consolidation adjustments adequately addresses the risk of management override. We are therefore comfortable that we do not need to review the final audit report for NSEC to have assurance over this area. We are also satisfied that going concern is not a significant issue for NSEC given that there are no indications of financial distress, and they perform a statutory service, which in the case of distress, the Council would ensure continues to run.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £94m	Other land and buildings comprises 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 are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council revalues its land and buildings on a rolling 5 year programme. The Council has engaged its internal valuer to complete the valuation of properties as at 31st December 2023. 54% of total assets were revalued during 2023/24. Management have considered the year end value of non-valued properties/ and the potential valuation change in the assets revalued at 31st December 2023 by applying indices to determine if there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified any material changes to the properties value. The total year end valuation of land and buildings was £94m, a net increase of £17.1m from 2022/23 (£17m decrease).	We have reviewed the detail of your assessment of the estimate considering: • the assessment of the Council's in-house valuers • the completeness and accuracy of the underlying information used to determine the estimate • the reasonableness of the overall decrease in the estimate • the adequacy of the disclosure of the estimate in the financial statements • the sensitivities used by the valuer to assess completeness and consistency with our understanding and • consistency of the estimate against reported indices Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. Management have been able to provide appropriate audit evidence to support these underlying assumptions. Where assets are revalued before the end of the financial year, assurance is required that these are not materially different to the current value at year end. Assets are valued at 1st January with a valuation date of 31 March. We identified that the valuer does not provide this assurance and have raised a recommendation point for this. While management do undertake their own indexation exercise to provide this assurance, the risk of misstatement is not fully mitigated until the valuer also reviews the potential movements. We have undertaken a review of those assets not revalued in the year against the auditor's experts indices and considered any movement between the valuation date and the year end. No material issues were noted. Our work has not identified any significant issues with the valuation of land and buildings other than three assets with non-material errors, see appendix D for full details.	GREEN

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

2. Financial Statements: key judgements and estimates (Continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £44.9m	The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date The Council's commercial investment portfolio consists of the North Worle District Centre and the Sovereign Centre in Weston-Super-Mare alongside a number of other smaller assets. The Council has engaged JLL, as an external expert, to complete the 2023-24 valuation of these two investment properties. The Council engaged its internal valuer to undertake the valuation of the remaining investment properties. The total year end valuation of investment properties was £44.9m, a net decrease of £6.1m from 2022-23 (£51m).	We have reviewed the detail of your assessment of the estimate considering: • the assessment of the Council's internal valuers and management's expert JLL • the completeness and accuracy of the underlying information used to determine the estimate • the reasonableness of the overall increase in the estimate • the adequacy of the disclosure of the estimate in the financial statements • we have used an auditor's expert to review the work undertaken by both the external valuer. Our work requires that we review and gain assurance over the assumptions and any indices used, and we have not identified any significant issues in regards to this work. We have employed an auditor's expert to provide assurance over the assumptions used by management's external valuer. This considered that the underlying assumptions and metrics used by the valuer were appropriate and that the valuations were in line with market expectations. Our work in this area is now complete and no significant issues have been identified.	GREEN

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

2. Financial Statements: key judgements and estimates (Continued)

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £76.5m</td>
<td><p>The Council's net pension liability as 31 March 2024 is £76.5m (PY £103m) comprising the Local Government and unfunded defined benefit pension scheme obligations.</p>
<p>The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from these schemes</p>
<p>A full actuarial valuation is required every three years.</p>
<p>The latest full actuarial valuation was completed in 2022. A roll forward approach is used in the intervening periods, which utilises key assumptions such as a life expectancy, discount rates, salary growth and investment returns.</p>
<p>Given the significant value of the net pensions fund liability small changes in assumptions can result in significant valuation movements.</p>
<p>There has been a decrease of £26.5m in the net actuarial deficit during 2022-23</p></td>
<td><p>As part of our procedures, we have completed the following:</p>
We evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made using reports from our auditor's expert PWC as summarised below:
<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.9%</td><td>4.9%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>2.7%</td><td>2.5% - 2.7%</td><td>●</td></tr>
<tr><td>Salary growth</td><td>4.2%</td><td>1.25% - 1.5% above CPI (2.7%)</td><td>●</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>Current 23.3
Future = 22</td><td>Current 22.0 – 23.5
Future 20.7 – 22.2</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>Current 25.8
Future = 24.1</td><td>Current 25.0 – 26.2
Future 23.2 – 24.4</td><td>●</td></tr>
</table>

We have tested the completeness and accuracy of the underlying information used to determine the estimate. No issues were identified.
We have not identified any changes to the valuation method employed.
We have performed various analytical procedures to ensure that the Council's share of pension assets and liabilities are reasonable. As well as this we have ensured the reasonableness of increase/decrease in the estimate.
We have ensured the adequacy of disclosure of estimate in the financial statements e.g. agreeing the pension notes and the CIES disclosures back to the IAS19. No issues were noted.

<p>Overall, no significant issues have been identified. We have identified one unadjusted misstatement in relation to an error in the liability calculation. The net impact of this was a £50k overstatement of the liability. Please refer to appendix D for more details.</p></td>
<td>GREEN</td>
</tr>
</table>

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

2. Financial Statements: Information Technology

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

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Agresso	Detailed ITGC assessment (design effectiveness only)	🟢	🟢	⚫	NA	NA
Northgate iWorld	Detailed ITGC assessment (design effectiveness only)	🟡	🟡	🟢	Management override of controls	Findings have been reported in appendix B. We have incorporated the deficiencies into our work on journals and no issues have been noted.
iTrent	Detailed ITGC assessment (design effectiveness only)	🟡	🟡	⚫	Management override of controls	Findings have been reported in appendix B. We have incorporated the deficiencies into our work on journals and no issues have been noted.
Active Directory	Detailed ITGC assessment (design effectiveness only)	🟢	🟢	⚫		

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been provided from the Council, including specific representations in respect of the Group.
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted, and the requests were sent. We have received all confirmations and no issues have been noted with the balances. We requested from management permission to send confirmation requests to the Pension Fund actuary. This permission was granted, and the requests were sent. The response has been received and any relevant findings have been reported in our commentary on this area.
Accounting practices	Our review found no material omissions in the financial statements.
Audit evidence and explanations	All information and explanations requested from management were provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

2. Financial Statements: other communication requirements

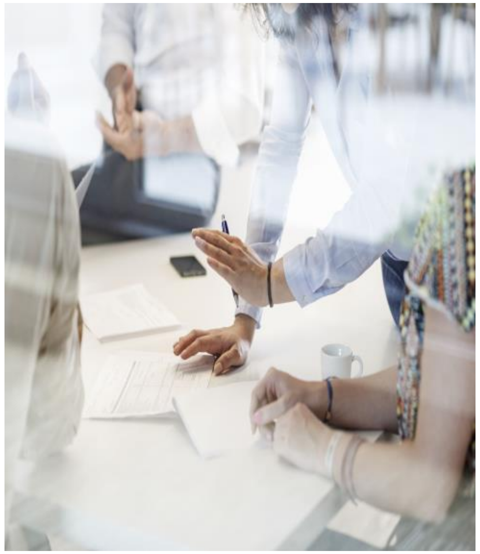
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We have also reviewed the going concern of the group. At this stage we cannot conclude on this as we have not yet received the assurance letter from the auditor of the subsidiary North Somerset Environment Company.

2. Financial Statements: other responsibilities under the Code

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. We have identified several non-material Inconsistencies and typographical errors which have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to Appendix H.
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 one significant weakness. We have identified a VFM significant weakness relating to financial sustainability. Please refer to page 23 for full details. No other significant matters have been identified which we need to bring to your attention.
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 Council does not exceed the threshold of £2 billion. However, please see the comment below.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2023/24 audit of North Somerset Council in the audit report. This is due to a request from the National Audit Office (NAO) that we hold open certificates to allow them to complete all whole of government accounts (WGA) procedures.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. Value for Money arrangements (VFM)

(Continued)

Overall summary of our Value for Money assessment of the Council's arrangements

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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements
Financial sustainability	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No risk of significant weakness with regard to arrangements to achieve financial sustainability were identified at the planning stage.	We have identified a significant weakness in arrangements and raised one key recommendation relating to continuing to take action to reduce the annual DSG deficit. We have found no significant weaknesses in arrangements with regard to how the Council approaches its annual and medium-term financial planning. We have raised one further improvement recommendation relating continuing to deliver mitigating actions to manage demand and cost in Adult Social Services and Children's Services. Improvement recommendations relate to actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.
Governance	No significant weaknesses in arrangements identified, or improvement recommendations made.	No risk of significant weakness with regard to governance arrangements were identified at the planning stage.	We have not identified any significant weaknesses in arrangements. We have raised two improvement recommendations. These relate to continuing to strengthen risk management reporting arrangements and maintaining and reporting on a central register of approved procurement exceptions.
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No risk of significant weakness with regard to arrangements to improve economy, efficiency and effectiveness were identified at the planning stage.	We have not identified any significant weaknesses in arrangements. We have raised three improvement recommendations. These relate to including a summary of good and poor performance and mitigating actions in Performance and Risk Update reports, ensuring appropriate oversight of the delivery of the Children's Services Improvement Plan, and implementing arrangements to provide central oversight of contract management processes.

4. Independence considerations

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

We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council’s Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence considerations

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

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

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

4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to the date of the auditors report, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	26,334	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £26,334 in comparison to the total fee for the audit 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.
		Self review (because GT provides audit services)	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.
		Management (Because GT provides audit services)	A management threat could be perceived as providing information to DWP is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the local authority at the same time. If any amendments need to be made to form MPF720A as a result of the reporting accountant's work, these are discussed and agreed with the member of informed management who is authorised by the Director of Finance to make these amendments. Amendments to the form can only be made by local authority staff and are initialled by the authorised signatory (usually the Director of Finance). We agree the factual content of our report on findings to the DWP before issuing it and we are satisfied from previous experience that the extent of our testing and the potential impact of our findings on the form is understood by the member of informed management.
Certification of Teachers' Pension Return	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit 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.
		Self review (because GT provides audit services)	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.
		Management (Because GT provides audit services)	A management threat could be perceived as providing information to TP is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the engagement in line with the Reporting Accountant Guidance issued by TP. We will agree any amendments and factual findings with the Employer's Responsible Financial Officer, and are required by the Guidance to obtain representations from the Employer in respect of our factual findings and include these in our report. Management will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to TP.

These services are consistent with the group policy on the allotment of non-audit work to your auditors. All services have been approved by the audit Committee. None of the services provided are subject to contingent fees.

4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to the date of the auditors report, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Non-audit related			
CFOI (Insights)	10,000	Self-Interest (because this is a recurring fee) Management (Because GT provides audit services)	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 £10,000 in comparison to the total fee for the audit 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. We are not taking on any managerial responsibilities at the client. The scope of the work does not include making decisions on behalf of management.

These services are consistent with the group policy on the allotment of non-audit work to your auditors. All services have been approved by the audit Committee. None of the services provided are subject to contingent fees.

4. Independence Considerations (Continued)

Audit and non-audit services (Prior years)

The below relates to non audit services delivered within 2023-24 but relate to the 2022-23 and 2021-22 financial year. These were also reported in the prior years AFR. The 2021-22 fees were reported in the 2021-22 accounts and so are not included in the 2023-24 accounts. None of the services provided are subject to contingent fees.

Service	Fees 22-23 £	Fees 21-22 £	Threats identified	Safeguards
Audit related				
Certification of Teachers Pension Return	10,000	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 (£7,500 2021-22) in comparison to the total fee for the audit 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.
			Self review (because GT provides audit services)	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.
			Management (Because GT provides audit services)	A management threat could be perceived as providing information to TP is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the engagement in line with the Reporting Accountant Guidance issued by TP. We will agree any amendments and factual findings with the Employer's Responsible Financial Officer, and are required by the Guidance to obtain representations from the Employer in respect of our factual findings and include these in our report. Management will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to TP.
Certification of Housing Benefit Claim	30,000	18,850	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £30,000 (£18,850 in 2021-22) in comparison to the total fee for the audit 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.
			Self review (because GT provides audit services)	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.
			Management (Because GT provides audit services)	A management threat could be perceived as providing information to DWP is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the local authority at the same time. If any amendments need to be made to form MPF720A as a result of the reporting accountant's work, these are discussed and agreed with the member of informed management who is authorised by the Director of Finance to make these amendments. Amendments to the form can only be made by local authority staff and are initialled by the authorised signatory (usually the Director of Finance). We agree the factual content of our report on findings to the DWP before issuing it and we are satisfied from previous experience that the extent of our testing and the potential impact of our findings on the form is understood by the member of informed management

4. Independence Considerations (Continued)

Audit and non-audit services (Prior years)

The below relates to non audit services delivered within 2023-24 but relate to the 2022-23 and 2021-22 financial year. These were also reported in the prior years AFR. The 2021-22 fees were reported in the 2021-22 accounts and so are not included in the 2023-24 accounts. None of the services provided are subject to contingent fees.

Service	Fees 22-23 £	Fees 21-22 £	Threats identified	Safeguards
Non-audit related				
CFOI (Insights)	16,000	NA	Self-Interest (because this is a recurring fee) Management (Because GT provides audit services)	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 £16,000 (NA In 2021-22) in comparison to the total fee for the audit 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. We are not taking on any managerial responsibilities at the client. The scope of the work does not include making decisions on behalf of management.

Appendices

A. Communication of audit matters to 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	●	
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 findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
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, we are also required to distribute our findings to 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 all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 20 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2024/25 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	<u>Dedicated Schools Grant Adjustment Account (DSG):</u> In appendix D we have reported an adjusted misstatement of £3,762k to the opening balances of the General Fund and DSG Adjustment Account Reserve. Our work on the Dedicated Schools Grant disclosure identified that the prior year surplus on the DSG budget was credited to the DSG adjustment account (Unusable Reserve) in error. This treatment is not in line with the regulations ((CIPFA Bulletin 14, CIPFA Code 2.3.3.13 and the Statutory Instrument S12020/1212), which makes clear that a surplus should not hit the DSG adjustment account. Management has corrected the opening balance on the DSG account and the General Fund by performing an in year adjustment of £3,762k as reported in appendix D. No prior period adjustment (PPA) was required for this due to the value being below materiality. The in year impact on the General Fund is trivial due to the in year deficit of £3,610k being correctly debited to the DSG reserve. This means the impact on the General Fund is £152k in year which is trivial. However, we note that managements treatment of the net surplus is still not in line with the regulation. The net surplus as mentioned above is £152k over 2023-24 and 2022-23 financial years. This surplus is still credited to the DSG adjustment account, which can be seen in note 7 and note 9.6 of the accounts. This is a repeat of the same error as in the prior year described above, albeit with a trivial overall impact. This issue is considered to be medium risk as although the accounts are not materially incorrect. The accounting treatment of the net DSG surplus is not in line with the regulation. Correct accounting treatment would be to recognise the £152k surplus in a DSG earmarked reserve. If the current treatment is repeated in future years, then there is potential for material misstatements to the General Fund and the DSG Adjustment Account.	We recommend that all future DSG surpluses are correctly recognised in an earmarked DSG reserve as per the regulation. Management should ensure that only deficits in DSG spend are recorded in the DSG Adjustment Account. We consider managements response below to be reasonable, but we will ensure that the accounting for DSG surpluses and deficits is reviewed in future audits to ensure correct accounting treatment. **Management response** Management have confirmed their agreement with the accounting treatment and have confirmed that the correct treatment will be applied in future periods. However, as the accounts are not materially misstated in 2023-24 then no further adjustments will be made.

Controls

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

B. Action Plan – Audit of Financial Statements

(Continued)

Assessment	Issue and risk	Recommendations
Medium	<u>Journals Testing – (Management Override of Controls)</u> As in prior years audits, our work on the journals control environment has identified that users who have the 'Mfinance' user access in agresso are able to post entries to the ledger with no secondary authorisation. As a result, this is a control deficiency given that there is a greater likelihood that erroneous or fraudulent journals can be posted by the 'Mfinance' users. We understand that management has introduced a mitigating control in this area whereby there is a year-end review of some journals.	We recommend that management introduce greater control in this area and introduce secondary authorisation controls. For example, risk-based journal authorisation controls are implemented in the form of a preventative (system based) control which requires authorisation before posting to the general ledger, or a detective/corrective control such as a retrospective review of journal entries by an individual other than the posted. **Management response** Agreed. As discussed in previous years, the implementation of system based additional approval of journals raised by MFINANCE users is considered to be likely to lead to inefficiencies and additional burdens on staff. As discussed, manual detective / corrective control arrangements have been implemented, and have proven to be effective in preventing and detecting material error in the posting of journals.
Medium	<u>Journals Testing – (Management Override of Controls)</u> Within the GL transaction listing identified a number of transactions with unexpected effective dates. Management confirmed that one of these entries was posted to the 2023-24 ledger in error and should have been posted to 2024-25. This issue was corrected and identified as part of monthly closedown. Management has confirmed that the 2023-24 ledger period was closed, and there are password controls over being able to post into the period once it is closed. However, following this issue it has come to our attention that certain types of posting are able to circumvent this password control. Where this happens, management rely on mitigating controls such as their month end reviews to identify all incorrect postings. In this case their month end review did pick up and subsequently correct the error with a correcting journal. However, this raises concerns that there is an ability to back post into closed periods in the ledger. We did not identify any issues in relation to this within our journals testing.	We therefore recommend that additional controls should be put in place to prevent this type of error from occurring. Management should seek to close the loophole which allows journals to circumvent the password control to closed ledger periods. **Management response** Not agreed. The cost of development work required on the Agresso main accounting system to prevent batch posting into prior years is not considered to be justified, as, as noted, management are aware of the possibility of entries being posted back into closed periods, and have put in place effective manual control to address the weakness, which successfully identified and corrected such journals before audit testing identified them.

Controls

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

B. Action Plan – Audit of Financial Statements

(Continued)

Assessment	Issue and risk	Recommendations
Medium	<u>Journals Testing – (Management Override of Controls)</u> Linked to the same issue as above re the journals with unexpected effective dates, management has confirmed that many of these are as a result of user error on the part of the individual who posted the transaction. We are satisfied that the journals in question have all been posted into the correct year and reconcile back to the 2023-24 trial balance. Management have informed us that the effective date field is more of a memorandum and does not impact the actual posting. However, this issue raises concerns around the accuracy of the information recorded in these journal entries.	We recommend that a review is put in place to pick up these journals where incorrect effective date data has been entered in order that they can be reviewed for overall accuracy. In addition, it should be highlighted to journal posters the importance of ensuring accurate information in all of their postings. **Management response** Partly agreed. As noted, posting and effective dates do not impact on the inclusion of transactions in the accounts. We will issue guidance to journal users to enter the correct dates (ie effective / transaction date, and posting date) when raising journals.
Medium	<u>Journals Testing – (Management Override of Controls)</u> We identified that three transactions have been posted to the ledger with a value of over one billion. The largest of these was £4.5 billion in value. As noted in previous years, occasionally Purchase orders are incorrectly processed by requisition's, with the number of units and unit price of the purchase transposed in error. This leads to a very high value of Purchase order being raised. When subsequently the purchase ledger invoice is received and matched to the PO, the system generates a correction so that the net amount posted to the ledger as a purchase cost is the correct net amount per the invoice. Management identified and corrected all such postings in the year.	We recommend that controls are put in place so that this error cannot be made in the system. **Management response** Not agreed. These instances relate to human error, and effective control processes are already in place to identify and correct them.
Medium	<u>PPE Revaluations:</u> We identified that there are four land and building assets which are currently being held at historical cost and have a value of £1.7m. The code requires that all assets are included in the 5-year revaluation programme.	Although this amount is not material, and the majority (£1m) relates to an asset purchased in 2023-24, we recommend that management ensure all of these assets are included within the 2024-25 revaluation programme. **Management response** Agreed.
Medium	<u>PPE Revaluations:</u> Assets are valued at 1st January with a valuation date of 31 March. There is, therefore, the possibility of significant movement in asset values between the date assets are valued and the valuations date. The valuer does not currently provide formal assurance that this has not occurred and therefore the risk of a material movement has not been fully mitigated. It should be noted that the Council do undertake their own review of the movements supported by appropriate indices. We reviewed the Councils assessment and found it to be reasonable.	Terms of engagement should be updated to ensure that this is reviewed. **Management response** Agreed. We understand the risk and for many years have carried out work to understand the impact of any movements in indices between the date of valuation and year end. This work is overseen and supported by the valuer. We will ensure that the terms of reference are updated to require the valuer to provide more formal assurance over this process.

Controls

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

B. Action Plan – Audit of Financial Statements

(Continued)

Assessment	Issue and risk	Recommendations
Medium	<u>Cash and Cash Equivalents</u> We identified that the Council operates a number of suspense accounts for the purpose of recording income received in which management are either unsure what the amount relates to or are unsure where the income should be coded in the ledger. The primary suspense code is ZAC202 which has a balance of £63,424 (Prior year £42,826). Given the balance has increased compared to the prior year, and we would expect suspense accounts to be cleared to zero by the year end, there is a control weakness here in ensuring income is coded to the relevant area in the ledger in a timely manner. Some entries within the suspense accounts are many months old which indicates a lack of movement in reviewing and dealing with the suspense entries.	We recommend that management ensure that the suspense entries are cleared in a timelier manner, to ensure that there is a zero-balance sitting in suspense codes at year end. Management response Agreed. There are always likely to be entries held in suspense awaiting review and coding. However, we agree these should be kept to a minimum, reviewed and cleared on a timely basis.
Medium	<u>Related Parties</u> Our testing identified that five annual members declarations were not received during the year before the deadline. This is a requirement as per the members code of conduct. No mitigating circumstances have been identified as to why the five individuals have not complied. Members and senior officers are required to make appropriate and accurate declarations to ensure proper transparency in the governance arrangements of the Council and all members and senior officers should ensure compliance.	We recommend that members are given training regarding the importance of making these returns on time and that all returns are received before the deadline in future periods. This ensures financial regulation and accounting policy are complied with. Management response Agreed.
Medium	<u>Nil NBV assets:</u> As in the prior year, testing identified a material value of assets with nil NBV as of 31 March 2024, including 149 assets with a gross carrying amount and accumulated depreciation of £24.02m. This represents a slight decrease from the prior year. In addition to this there is around £7m is land and building assets which have been fully depreciated in 2023-24. Although the net asset values are correct, there is a risk of material overstatement of the gross asset and depreciation values. As this was also identified in the prior year and no action has been taken, we now consider this a medium risk area given that the values involved are multiples of materiality.	We recommend that management conduct a formal review of these assets in order to ensure that assets no longer in operational use have been fully written out of the FAR. Management response Agreed.

Controls

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

B. Action Plan – Audit of Financial Statements

(Continued)

Assessment	Issue and risk	Recommendations
Medium	<u>Investment Property Valuations:</u> We identified that for the investment property (IP) asset named 'Locking Head Farm', the valuer has adopted a land area measurement of 117.51 acres. However, the valuer was unsure as to the accuracy of this, as this measurement was derived from the councils map based records. However, if the schedules from the various lease agreements are used, the area is 108.56 acres. Therefore, if the 108.56 acres represents the true land area, then there is a risk of overstatement in the asset valuation. The extrapolated impact of this is £403,576 and is reported as an unadjusted misstatement on the basis of materiality.	We recommend that for future valuations the Council should confirm the true land area for this asset so that there is no ambiguity going forwards. **Management response** Agreed.
Low	<u>Journals Testing – (Management Override of Controls)</u> As part of our journal's walkthrough, we identified that there is an ability to post journals to the ledger with no supporting description. Although we have not identified any journals posted without a description in 2023-24, we consider this to be a non-significant deficiency in the system. Given that journals do not have secondary authorisation controls, there is a chance that journals can be posted without description. We note that management has put in place manual controls in order to reduce the number of journals posted with no supporting narrative. This has led to a reduction of postings with this issue. We did not identify any in 2023-24.	To ensure that journals are posted with appropriate supporting description, we recommend that a control is introduced so that any such journals are picked up and queried on a timely basis. **Management response** Not agreed. The recommendation is for the manual control which is already in effective operation.
Low	<u>Journals Testing – (Management Override of Controls)</u> When undertaking our journals procedures we were initially provided with a GL transaction listing which contained transaction numbers which did not balance (have equal debits and credits). Management informed us that the reason for this was because we was not given the account code 9998 in our original GL listing. The reason we did not have this in our GL listing was due to the report being run as 'All transactions by directorate' when code 9998 does not have directorate mapping. We have subsequently rerun the report to obtain the balanced listing. However, this was at some time delay to the audit.	We therefore recommend that in future periods management ensure they are able to provide us with the balanced GL transaction listing up front in order to make the process of journals selection more efficient. **Management response** Agreed.

Controls

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

B. Action Plan – Audit of Financial Statements

(Continued)

Assessment	Issue and risk	Recommendations
Low	<u>Journals – (Management Override of Controls)</u> There continues to be a significant number and value of journals processed by a relatively high number of users. This represents both an enhanced risk of error and fraud but also indicates an inefficiency in the Council's processes around processing financial transactions. For information there are 46 individuals who we have identified as posting manual journal types. In total there are 67 user accounts. The majority of user accounts therefore post manual journal types. Please see appendix G for details.	We recommend that this is reviewed by management. A review of the processes for the initial processing of financial transactions with the aim of reducing the need for subsequent manipulation through journal transactions. Management response Not agreed. Arrangements are considered to be effective. No errors have been identified in relation to audit journal testing.
Low	<u>Review of fixed asset register:</u> We reviewed the fixed asset register and identified 77 depreciable assets with nil useful lives, 13 of which were described by management as disposed. These assets have nil gross and net book values.	We recommend that management remove assets from the fixed asset register which relate to items no longer owned by the Council. If a record of these assets must be kept, then it should be maintained separately to the fixed asset register. Management should review all assets with nil useful lives to ensure this is appropriate. Management response Agreed.
Low	<u>Employee Remuneration (Payroll):</u> When testing the full time equivalent (FTE) reconciliation we noted a difference between the year end FTE and the expected FTE when taking the opening and adjusting for in year starters and leavers. This comparison resulted in a difference of 44 FTE. Management confirmed that this is due to the fact that the movement report does not take into account changes in hours, it only considers changes in positions. It is was also indicated that there hasn't been a reconciliation of movement in hours, and currently management has no report for changes of hours. We are satisfied that this issues does not cause any material misstatements in the accounts. However, this may not be the case in future years if the FTE differences are greater.	We recommend that the report is amended to ensure that it takes into account changes in hours. Alternatively, a changes in hours report should be included in the analysis. Management response Not agreed. Differences of hours should not, and did not, lead to material differences when the audit team undertaking predictive analytical review. Discussions with Liberata, who operate the iTrent payroll system on the Council's behalf, indicate it is not likely to be practical in the short term to re-write reports to identify changes in hours in addition to moving between posts.

Controls

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

B. Action Plan – Audit of Financial Statements

(Continued)

Assessment	Issue and risk	Recommendations
Low	<u>Employee Remuneration (Payroll):</u> When performing our payroll predictive analytical review, we noted a variance in the month of November above our acceptable threshold. Management explained that the variance was caused by the backdated pay award which took effect from November 2023. However, management were unable to exactly quantify the impact of the pay award which meant that we were unable to fully explain the variance. No other explanations were provided for the variance identified. Despite the variance being outside our acceptable range we are satisfied that overall, the employee remuneration figures in the accounts are not materially misstated.	We recommend that where there are backpay award such as this going forwards or one-off payroll transactions, the payroll team keep good records so that they are able to quantify the impact to audit. **Management response** Not agreed. Back pay is not currently separately identified on the payroll or ledger systems. NSC Finance staff provided a high level working to demonstrate that the backdated payroll expenditure was materially in line with expectations.
Low	<u>Pooled Budgets:</u> S75 and S256 agreements between the Council and NHS BNSSG ICB have not been signed by either party. The Council have not been able to provide a draft S256 agreement to support the CHC and FNC funding received for the service provided on behalf of BNSSG. Whilst these figures do not impact on the CIES and we have been able to gain assurance from other sources of information there remains a risk of unsupported disclosures being included in the accounts.	Therefore, recommended that the Council ensures the appropriate documentation is retained to support these balances. **Management response** Agreed. The Council has worked pro-actively with the ICB to reach agreement on final figures on a timely basis, but the signing of these agreements has been delayed by the ICB, which is beyond the control of the Council.

Controls

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

B. Action Plan – Audit of Financial Statements (IT Audit Findings)

Assessment	Issue and risk	Recommendations
Medium	<u>IT Review - Inadequate oversight around generic users (iTrent)</u> It was noted that there was no process of monitoring audit logs for generic accounts in iTrent Application. <u>Inadequate oversight around generic users (Northgate iWorld)</u> It was noted that there was no process of monitoring audit logs for generic accounts - RB and FSC in Northgate iWorld Application.	Management should undertake a review of all user accounts for the iTrent application to identify all the generic accounts. For each account identified management should confirm the: - requirement for the account to be active and be assigned privileged access - which users have access to the account - controls in place to safeguard the account from misuse. Where possible, management should implement suitable controls to limit access and monitor the usage of these accounts. Where monitoring is undertaken this should be formally documented and recorded. **Management response** In reference to the iTrent generic SYSADMIN account, we will be looking to disable this account by default and implement a new access process for use of this account (e.g. a ServiceNow case requesting access to the SYSADMIN account with required date, time and purpose listed for controlled release and audit purposes). New user specific accounts will be created for members of Agilisys ICT with reduced levels of access to enable facilitation of daily tasks (e.g. iTrent morning checks). **In relation to iWorld. These accounts are designed by the vendor NEC to be high level credentials shared for specific activities only. Limited to users who administer the service. The same staff have unique and individual credentials for routine work and only use the higher-level account for specific work when needed.(Annual billing/bulk processes and parameter changes). With regards to the audit trails suggested – we are currently looking into this but as we are a small team we are aware of who has these privileges and so could trace an ip address if the account was used if not planned work. (The use of the account is traceable).**
Medium	<u>IT Review - Inadequate controls for terminating leavers access. (Northgate iWorld)</u> During our review , we identified the following-: A terminated user account was not deactivated in a timely manner. The user leaving date was 05 March 2024. Then HR email notification was received on 7th March 2024 . The user account was removed on 12 March 2024 by IT helpdesk.	Management should ensure that a comprehensive user administration procedures are in place to revoke application and AD access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers. **Management response** Leaver details are prioritised for action. However, we can confirm that upon received of a leaver request from HR. The service desk disable the user AD access and raise subsidiary calls to remove system related access such as Northgate. The removal of AD access would prevent the users from accessing the network and therefore prevent access to the Councils Northgate system. Based on the information provided the Northgate account access was revoke within 3 working days.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of North Somerset Council's 2022/23 financial statements, which resulted in 9 recommendations being reported in our 2022/23 Audit Findings report. In addition to this there Was 1 recommendation from previous audits which had not been actioned as per our last AFR. In the below list there are 10 items as a result. Prior year recommendations which remain unactioned at have been reported again in appendix B - action plan.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Medium Risk - Assets are valued at 1st January with a valuation date of 31 March. There is, therefore, the possibility of significant movement in asset values between the date assets are valued and the valuations date. The valuer does not currently provide formal assurance that this has not occurred and therefore the risk of a material movement has not been fully mitigated. In 2023-24 the valuer still has not provided this assurance, although management perform their own review, which has been reviewed and agreed as reasonable by the audit team, management should ensure that the valuer reviews this as part of their valuations. This has been reported again in appendix B.	Previous management response Agreed – Confirmation will be included in next year's WPs. Updated management response Please refer to appendix B page 34
✓	Medium Risk - As part of our creditors testing, we identified a number of grants received in advance which had incorrectly been classified as creditors in the balance sheet. All errors were corrected in the prior year. It was recommended that management ensures that grant income is appropriately recognized in the statement of accounts. No issues of this nature were identified in 2023-24. Therefore, this is resolved.	Previous management response Agreed. Auditor comment Issue now resolved.
X	Medium Risk – It was identified that finance users do not require journal authorisation before posting journals to the system. This deficiency has been reported again in appendix B as the same issue has been noted in the 2023-24 audit work.	Previous management response Arrangements will be put in place to remedy this situation. Updated management response Please refer to appendix B page 33

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

(Continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Medium Risk – We have identified that not all members have completed their declaration of interest form by the set deadline. We have reported this same issue again in appendix B as we identified the same issue in our related parties testing.	Previous management response Agreed. Updated management response Please refer to appendix B page 35
X	Low Risk - There continues to be a significant number and value of journals processed by a relatively high number of users. This represents both an enhanced risk of error and fraud but also indicates an inefficiency in the Council's processes around processing financial transactions. For information there are 46 individuals who we have identified as posting manual journal types. In total there are 67 user accounts. The majority of user accounts therefore post manual journal types. Please see appendix G for details. Our view is that this recommendation has not been actioned for 2023-24.	Previous management response Not currently agreed – Officers would like to better understand the individuals identified as posting journals to ensure they relate to journals rather than interface transactions. Access to post journals is confined to finance staff and not considered inappropriate. Updated management response Please refer to appendix B page 37

Assessment

✓	Action completed
X	Not yet addressed

C. Follow up of prior year recommendations

(Continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Low Risk - As part of our testing we have reviewed the instructions and information provided by management to the valuer and this identified the following items were omitted from the terms of engagement: • the name and details of the Valuer responsible for the valuation(s). • a comment in relation to independence and professional objectivity in accordance with PS2 section 3 of the Global Standards. • that the Valuer can provide an objective and unbiased valuation. • that the Valuer has the necessary knowledge and skills to complete the instruction competently. • a specific comment in relation to the basis on which the fee will be calculated is required. • a reference to the firm's complaints handling procedure with a copy available on request. • a statement that compliance with these standards may be subject to monitoring under RICS conduct and disciplinary regulations. The valuers report should contain the date of the report. In 2023-24 the information was reviewed by our auditors' experts and no issues were identified with the valuers report or instructions. Therefore, this has been resolved.	**Previous Management Response** Agreed – Information will be included in future working papers ie the SLA between finance and the internal valuer, and the terms of reference agreed with the external valuer. **Auditor Comment:** Issue now resolved.
X	Low Risk - Asset verification is required to ensure that assets maintained on the FAR are still owned by the Council and that any impairment can be identified where necessary. There is a risk that the Council are disclosing assets that they no longer own or that have not taken into account any impairment that would affect the valuations where relevant. It was recommended that management undertake an annual asset verification exercise to ensure that all assets included in the accounts are still owned by the council. In 2023-24 we identified 13 assets held in the FAR which have been disposed of in previous years. This has been reported in appendix B. Therefore, this recommendation still stands.	**Previous Management Response** Not agreed as all land and buildings assets are covered by the cyclical valuation. In addition, processes are in place to identify the disposal of assets in the asset register through identification of proceeds and notifications from the legal team and service managers. External audit also provide assurance on asset existence and therefore we believe existing arrangements are effective. **Updated Management Response** Please refer to appendix B page 35

Assessment

✓	Action completed
X	Not yet addressed

C. Follow up of prior year recommendations
(Continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Low Risk – S75 and S256 agreements between the Council and NHS BNSSG ICB have not been signed by either party. The Council have not been able to provide a draft S256 agreement to support the CHC and FNC funding received for the service provided on behalf of BNSSG. Whilst these figures do not impact on the CIES and we have been able to gain assurance from other sources of information there remains a risk of unsupported disclosures being included in the accounts. Therefore recommended that the Council ensures the appropriate documentation is retained to support these balances. Audit team has confirmed that this is still outstanding in 2023-24 and has been reported again within appendix B.	Previous Management Response Agreed. Updated Management Response Please refer to appendix B page 38.
✓	Low Risk – Testing of valuation assumptions for PPE requires agreement to source documentation and information used by the valuer to reach their conclusions. For one asset the valuer had not retained the information to support the BCIS calculation, and we were therefore unable to evidence the figure. The extrapolated error was trivial but there is a risk of material misstatements arising from this issue in the future. Management should therefore ensure that all documentation to support the PPE valuations is retained. No issues of this nature were identified in 2023-24. Therefore, this is resolved.	Previous Management Response Agreed.
X	Low risk – In prior years we have identified a material NBV of assets which have been fully depreciated. We recommended a formal review of these assets in order to ensure that assets which are no longer in operational use have been fully written out of the FAR. Note this has been reported again in appendix B and moved to a medium risk given that no action has been taken and the amounts involved are material.	Previous Management Response Agreed. Updated Management Response Please refer to appendix B page 35.

Assessment

✓ Action completed

X Not yet addressed

D. 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 and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
Disposals: We identified during our disposals and movement in reserves work an error of £2,918k. The error relates to a school which has transferred to academy status in the year. The loss on disposal of this asset was recorded in the Schools expenditure in the Net Cost of Services, rather than 'below the line' in Note 11 Other Operating Expenditure. This was followed up with CIPFA who confirmed the error.	DR Other Operating Expenditure £2,918k CR Cost of Services £2,918k	£0	£0	£0
Revenue Contributions from Capital: We identified that management has understated fees and charges income and expenditure in note 16 analysed by nature. This is in relation to revenue contributions from capital where originally management had netted off the contributions in both income and expenditure, this accounting treatment is correct and in line with prior years audit findings. However, the amount netted off was incorrect, management had netted off a total of £6.2m per code 8300 rather than £1.64m per code 8600. This has resulted in a misclassification of £4,573k.	DR Cost of Services (Expense) £4,573k CR Cost of Services (Income) £4,573k	£0	£0	£0
Internal Recharges: We identified that the year end internal recharge closedown journal did not net the internal recharge income and expenditure to nil. This has created a £48k misclassification in expenditure and internal recharge income. Although not material, the client has elected to make the adjustment.	DR Cost of Services (Expense) £48k CR Cost of Services (Income) £48k	£0	£0	£0
Dedicated Schools Grant DSG (Prior year Surplus): We identified that the prior year surplus on DSG amounting to £3,762k was incorrectly credited to the DSG adjustment account unusable reserve. The purpose of this reserve is to record the cumulative DSG deficit and as such the regulations on this area make clear that a surplus should never be accounted for in the DSG adjustment account. As this is not material, we have agreed that management can correct this as an in year adjustment to the opening balances. Note that the closing balance on the General Fund is only impacted by £152k as there has been an in year deficit on the DSG of £3,610k which nets off the prior year surplus.	£0k	DR DSG Adjustment Account £3,762k CR General Fund £3,762k	£0k	Increase to the General Fund (Opening Balance) of £3,762k
Overall impact	**£0k**	**£0k**	**£0k**	**£3,762k increase**

D. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Review of Accounts including Narrative Report: Our initial review of the draft financial statements was performed by our central team who identified several non-material typographical and formatting errors. All issues identified were corrected by management.	All errors identified should be amended. **Management response** Agreed.	✓
Annual Governance Statement: Several minor updates have been made to the AGS following auditor challenge, the updates are as follows: 1 - Narrative added to section 7 to reference internal auditor reports which include details on the council's governance arrangements, supporting the opinion in the AGS. 2 - Additional narrative added to paragraph 1.2.2 in section 5, again to reference internal audits work on group governance arrangements. 3 - Additional paragraph 1.6 added into the executive summary to state that the council commits to monitoring implementation of actions set out in action plans.	We recommend that management update the AGS for the issues identified. **Management response** Agreed.	✓
Dedicated Schools Grant (DSG): Linked to reporting on this issue in appendix D (Adjusted Misstatements) and B (Action Plan). Given that the accounting treatment for the £152k net surplus is not in line with the regulations (CIPFA Bulletin 14, CIPFA Code 2.3.3.13 and the Statutory Instrument S12020/1212), there are several disclosure errors in the accounts linked to this. These are listed below: Note 9.6 - Dedicated Schools Grant Adjustment Account: The note indicates that a £152k is a deficit charged to the I&E when in fact the £152k is a net surplus i.e. (Prior year surplus of £3,762k less the in year deficit of £3,610k). The labelling of this as a deficit is misleading. Please see appendix B where we have reported that this accounting treatment is not in line with the regulations. Note 15 - Dedicated Schools Grant: This also has £152k labelled as a deficit which as above is misleading. Note 7 - Adjustments Between Accounting and Funding Basis: This also has £152k labelled as a deficit which as above is misleading.	In line with our recommendation in appendix B, the notes are not materially misstated and therefore no further amendments have been made. However, we recommend that in future periods management ensure that the accounting treatment is corrected for the DSG entries. Overall, the auditor is satisfied that this remains unadjusted on the basis of materiality. **Management Response:** As above, not adjusted on the basis of materiality.	X

D. Audit Adjustments

Misclassification and disclosure changes (Continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 1 – Critical Judgements: Our review of this note has identified that the disclosure relating to uncertainties over future government funding, inflation and the wider economy is not a critical judgement under IAS1.122 as the uncertainty in this area is not sufficient. In addition, we have noted that the paragraph on accounting for schools was not fully clear on why this was a critical judgement. Therefore, further narrative is needed to explain this to the reader.	The note should be amended as stated. Management response Agreed.	✓
Note 3 - Material items of income and expenditure: A typographical error was identified in note 3. The note stated that the losses on disposal relating to school transfers is £37.6m but the sub totals added up to £38.6m. Confirmed that the loss in relation to the school 'Worlebury St Pauls' should have been £2.9m rather than £3.9m which then corrects the issue. Linked to the above issue related to Worlebury St Paul School, the narrative in note 3 should be updated to remove reference to the £2.9m loss on disposal being recognised in school expenditure, this should state that it is recognised in note 11, other operating expenditure which is in line with the code. This is related to the adjusted misstatement of £2,918k.	Management should make the required updates to note 3. Management response Agreed.	✓
Capital Grant Income: The Council received £7,401k of capital grants which were used to fund revenue expenditure (i.e. REFCUS), as per note 14 in the accounts. The Code (3.4.2.39e) requires all capital grants and contributions to be disclosed in the 'taxation and non-specific grant income' line in the CIES. However, the CIPFA Guidance notes for practitioners (C45) explicitly states that any grants receivable by an authority in relation to REFCUS, should be accounted for as revenue grants in the CIES. There is therefore a misalignment in the guidance derived from these two documents. The Council has followed the accounting treatment described in the practitioners' guide.	Despite there being a divergence from the Code, it is our judgement that this is acceptable given that the Council has followed the guidance published by CIPFA in the guidance notes. Management response We disagree with this finding. The Council's accounting treatment has complied with explicit guidance in the Code Guidance notes.	X

D. Audit Adjustments

Misclassification and disclosure changes (Continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<u>Note 20 - External Audit costs:</u> We identified several inconsistencies between the audit fees notes and the amounts as per our audit plan. These were not as a result of management error, rather they were due to timing differences between when the services were delivered and billed which necessitated an element of estimation. The following disclosure changes have been agreed to ensure the fees for 2023-24 are consistent with Grant Thornton internal records. - Fees payable to Grant Thornton UK LLP -> This has decreased from £329k per the draft accounts to £326k. This does not match the audit plan and does not include the agreed additional fees for MLA and should reconcile to £374k. - Housing Benefit -> This has increased from £26k to £29k, this is due to a £3k timing difference. This £26k fee for 2023-24 is still included within this and agrees back to the audit plan. - CFO Insights -> Originally, North Somerset have missed out the £10k CFO Insights, this has now been added in the new note.	We recommend that management make clear in the note how the fees disclosed match up with the auditors records. **Management response** A reconciliation has been added below the note to demonstrate to the reader how the amount ties back to the external audit cost of £374k which is inclusive of additional fees for major local audit. Also included a reconciliation to demonstrate how the non audit fees tie back in the same way so this is clear to the reader.	✓
<u>Note 20 - External Audit costs:</u> We identified that the prior years non audit services fees did not match our records for the amounts billed. These were not as a result of management error, rather they were due to timing differences between when the services were delivered and billed which necessitated an element of estimation. The fees should be as below: Teachers pension = £10k (Was £4k) Housing Benefit = £30k (Was £16k) CFO Insights = £16k (Was £0k)	Management should make clear in the cash flow statement what the amount relates to. **Management response** Additional reconciliation has been added into the note to make this clear.	✓

D. Audit Adjustments

Misclassification and disclosure changes (Continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Group Accounts – Group MIRS: We noted that the group MIRS statement is missing the consolidation adjustments between subsidiary and parent of £10,238k. This means that the total General Fund balance as per the group MIRS statement is incorrect.	We recommend that management add in the missing line item for group consolidation adjustments into the group MIRS statement. Management response Agreed.	✓
Accounting Policies: UEL Disclosure for infrastructure assets Following the audit team's review of the Useful Economic Life (UEL) of infrastructure assets, we identified several inconsistencies between the assigned UELs and those disclosed in the Council's policy. Consequently, we proposed that the Council revise their UEL policy as disclosed in the accounts to accurately reflect the UEL assigned to the various asset categories within the Fixed Asset Register (FAR). We, therefore, recommend that management review the Council's UEL policy for infrastructure assets to ensure alignment with the actual useful lives assigned to the various categories in the Fixed Asset Register.	We recommend that management ensure the accounting policy for this area is accurate. Management response Agreed.	✓

D. Audit Adjustments

Misclassification and disclosure changes (Continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
18.2. Officers' remuneration over £50,000 per annum The Code (3.4.5.1a & b) requires the Council to disclose the number of employees with remuneration over £50,000 per annum and to provide an analysis by job title of the remuneration and employer's pension contributions in respect of senior employees whose salary is £50,000 or more per year. These requirements are derived from the Accounts and Audit Regulations 2015 for English authorities. The Accounts and Audit Regulations (Schedule 1, paragraph 1.2) explicitly states that the disclosure of the number of employees with remuneration over £50,000 should not be applied to senior employees for whom a separate disclosure should be made. The Council have disclosed the senior employees' remuneration analysis as required, however when disclosing the number of employees with remuneration over £50,000 the senior employees have been included. The CIPFA Guidance notes for practitioners (I127) implies that an authority can include the senior employees in the disclosure as long as this is made clear in the narrative accompanying the note, which the Council have done. There is therefore a misalignment in the guidance derived from these two documents. As the Council's disclosure is not in line with, not only the Code, but also the underlying Accounts and Audit Regulations, it is our view that this is a disclosure error. However, as the disclosure is in accordance with the CIPFA Guidance notes for practitioners, we have not recommended an adjustment to the accounts.	Management should consider their approach to this note for future periods so that it is reported in line with the CIPFA code. Management response No adjustment made on the basis that it is in line with the CIPFA code guidance notes.	X
Estimation Uncertainty Note (PPE): We have observed that the format adopted by management for disclosing the degree of estimation uncertainty associated with Property, Plant, and Equipment (PPE) is somewhat inconsistent with the format recommended by the 2023/24 CIPFA Guidance Notes. Specifically, management's assessment currently focuses on a point change in the net book value of all PPE items, rather than addressing the impact of changes in valuation estimates.	We recommend that management revises the note to separately consider the impact of annual depreciation changes from valuation movements. This will provide a clearer and more accurate representation of the estimation uncertainties involved. Management response Agreed.	✓

D. Audit Adjustments

Misclassification and disclosure changes (Continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Pension Liabilities: Under IAS19 Composition of Scheme Assets, the Private Funds are mentioned as 'Quoted'. Private funds by definition are not quoted and are valued based on valuations. However, management have correctly included the disclosure based on the IAS19 report.	We recommend that the management confirms the accuracy of this data with the actuary going forward. We do not propose an amendment for this as managements disclosure is line with the IAS19. Management response No adjustment made on the basis that it is in line with the IAS19 report.	X

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
<u>Land and Building Valuations:</u> We identified a variance in the floor area used in the valuation of the asset 'campus community leisure centre' valued on a depreciated replacement cost (DRC) basis. The floor area used in the valuation was 3,145 metres squared when it should have been 3,326, a variance of 181 metres squared. This has caused an extrapolated understatement to the building £392,575. The error also impacts the land value (Understated by £37,942) due to the nature of the valuations where land has been calculated based on the building value. The overall extrapolated error is £430,517 understatement. In addition, we identified an additional floor area error in the valuation of the asset called 'New Nailsea Library' which has been valued on an existing use value (EUV) basis. The floor area adopted by the valuer was 2,044 metres squared when the floor area should have been 2,018 metres squared. We noted also a small variance in the yield used by the valuer (8.5%) compared to external sources (8%). The overall impact of this by extrapolation amounts to £22,600 understatement in the asset. We also identified an error in the valuation of the asset named 'Police Station site'. The asset value was identified to have been understated by an extrapolated value of £261,632.94 as a result of minor variances noted in the yield applied by the valuer and the market yield verified by the audit (10% used by the valuer) against 8% noted by the audit team.	CR Other Comprehensive Income £715k	DR Land and Buildings £715k	Increase in income (OCI only) £715k	Increase to Revaluation Reserve £715k, no impact on General Fund.	Not material.

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Investment Property Valuations: We identified that for the investment property (IP) asset named 'Locking Head Farm', the valuer has adopted a land area measurement of 117.51 acres. However, the valuer was unsure as to the accuracy of this value. The measurement was derived from the Councils map based records. However, if the schedules from the various lease agreements are used, the area is measured as 108.56 acres. Therefore, if the 108.56 acres represents the true land area, then there is a risk of overstatement in the asset valuation. The extrapolated impact of this is £403,576. We have raised an associated recommendation point for this issue in appendix B. In addition to the above, we also identified a rounding issue on the asset titled 'North Worle District Centre'. When performing a recalculation, the valuation was £5,610k, however the valuer's figure is rounded at £5,500k. The difference of £110k represents a potential understatement in the asset value. The extrapolated impact of this is £122,714k. Therefore, in total the errors above represent a potential net overstatement in the asset values of £280,862. This is reported given that there are individual potential errors above our trivial threshold.	DR Financing and Investment Income and Expense £281k	CR Investment Property £281k	Decrease in income £281k	Decrease £281k	Not material

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Pension Liability: We identified an error in the amount reported as benefits paid in the IAS 19 report. It was noted that this error was due to the erroneous inclusion of benefits relating to Alliance Homes (£1.2 million), which has exited the scheme and is no longer associated with North Somerset Council. Further reviews based on the revised IAS 19 report, which corrected the benefits paid figure by excluding the £1.2 million for Alliance Homes, revealed a slight decrease in the pension liability reported at year-end, amounting to £50k. Accounting entries: Dr Pension liability £50k Cr Pension reserve £50k Above is the net position, there is a £1,462k understatement of liabilities, and a £1,512k understatement of the assets. In total this means that there is a net overstatement of the pension liability by £50k.	DR other Comprehensive Income £1,462k CR Other Comprehensive Income £1,512k	DR Pension Liability £1,512k CR Pension Liability £1,462k	Increase in income (OCI only) £50k	Decrease to Pension Reserve £50k, no impact on General Fund.	Not material

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Grant Income, Provisions and Additions: During our grant income testing, the audit team sampled £888,890 related to a year-end provision for a 'Compensation Event' anticipated to be incurred on capital projects financed through capital grants from Homes England. Management subsequently reversed the total provision as it was no longer required, explaining that the event for which the provision was made had already been settled. We reviewed the total provisions for the year and determined this to be an isolated case. The impact of this error is the overstatement of provisions and Property, Plant and Equipment (PPE) additions, with a corresponding overstatement impact on capital grant income and accrued debtors.	DR Capital Grant Income CIES £888k	CR Debtors £888k DR Provisions £888k CR PPE £888k	Decrease in Income by £888k	Decrease in general fund by £888k.	Not material
Infrastructure Impairments: Our testing of infrastructure impairments revealed an over-accrual of prior year transactions amounting to £128k, with a projected impact of £145k over the credit samples tested (Reversals of prior year accruals to accommodate in-year transactions). Additionally, there was an under-accrual of 23/24 costs amounting to £72.7k, projected to have an overall impact of £376k on the debit population. We have reported these as unadjusted misstatements due to their immaterial projected impact on the accounts. Total impact being an understatement of additions and impairments on infrastructure assets of £521k. The net impact is nil.	NA	DR Infrastructure Additions £521k CR Infrastructure Impairments £521k	NA	NA	Not material
Overall impact	DR £404k	CR £404k	£404k increase net expenditure	£1,169k decrease (£50k Pension Reserve increase and £715k Revaluation Reserve increase)	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements. We have considered the impact of prior year and current year unadjusted misstatements and in total the impact is not material. As a result, we are satisfied that these remain unadjusted.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Testing of a REFCUS sample item identified that it was related to 2021/22 and was not accrued for. The Council did not receive the invoice until 2023-24 but identified the error in 2022-23 and accrued for it. We are satisfied that this is an isolated error which relates to 2021/22 and so have not extrapolated.	CR Cost of Services £1,270k	DR Unusable Reserves £1,270k	Decrease in Expenditure of £1,270k	NA – Unusable reserves impact only.	Not material.
Overall impact	**CR £1,270k**	**DR £1,270k**	**CR £1,270k**	NA	

E. Fees and non-audit services

We confirm below our final fees charged for the audit as well as all non-audit services which are included on the next slide.

Below we have included the fees communicated per our audit plan in April 2024. Per our audit progress update which was communicated in August 2024, North Somerset Council has become a major local audit (MLA) due to the Councils expenditure exceeding the £500m threshold. As a result of this, there are additional audit procedures which has incurred additional fees. These were communicated in our update report in August and have been repeated below for reference.

Audit fees (As per our audit plan)	**Planning Fee**	**Final Fee**
Scale fee	£336,581	£336,581
ISA 315	£12,550	£12,550
Total audit fees (excluding VAT)	**£349,131**	**£349,131**

Additional Fees (Major Local Audit)	**Final Fee**
Reduced Materiality	£12,500
EQCR	£3,750
Hot Review	£3,750
PPE Auditor Valuation Expert	£5,000
Total MLA Additional Fees	**£25,000**
Total Audit Fees (Audit fees per above and MLA)	**£374,131**

Reconciliation to the NSC audit fees note 20	
Audit fee per accounts note	£374,131
Per above	£374,131
Difference	**£0**

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Teachers' Pension Certificate	£12,500	£12,500
Housing Benefit Assurance Process	£47,400*	£26,334
CFOI	£10,000	£10,000
Total non-audit fees (excluding VAT)	**£69,900**	**£48,834**

*In our audit plan the HB fee was communicated as £47,400, however we verbally updated the audit committee in April that the true fee is £26,334 as stated above.

Reconciliation to the NSC audit fees note 20	
Non Audit fee per accounts note (Teachers' Pension, HB, CFOI)	£48,834
Per above	£48,834
Difference	**£0**

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

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Additional Information on Journal Posters

As mentioned on page 9, there are 4,394 manual journal postings in the year. Management has shared with us that manual journals can be identified with the following codes below. We have reviewed all users who have posted with these codes and we have identified 46 'User IDs'. Below we have included how many different user IDs post using each code.

Code	Description	No of users Posted
GJ	GL Journal-Reconciling	45
GV	GL Reversing Journal	21
OB	Opening Balances	1
RV	Reversals	5
SC	SIMS Schools Journal – Non Reconciling	0
SN	SIMS School Non Reconciling Posted	6
IG	Internal Recharges Posted	3
IH	Schools – Internal Recharge Posted	4
IS	Schools – Internal Recharge Reconciling	3
IX	Schools Type X Income Transactions	2

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