

Audit Findings (ISA 260) Report for North Somerset Council

Year ended 31 March 2025

27 November 2025



North Somerset Council

Town Hall,
Walliscote Grove Road,
Weston-super-mare
BS23 1UJ

27 November 2025

Dear Members of the Audit Committee

Audit Findings for North Somerset Council for the year ended 31 March 2025

Grant Thornton UK LLP

2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

T +44 (0)117 305 7600

www.grantthornton.co.uk

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 will be 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.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-2025.pdf).

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

Grace Hawkins

Director
For Grant Thornton UK LLP

Chartered Accountants

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01 Headlines and status of the audit

Headlines (1)

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

Financial statements

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

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

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

Our audit work was completed during July-November as planned. Our findings are summarised on pages 11 to 37. We have identified no adjustments to the financial statements that have resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement.

Audit adjustments are detailed at page 38. We have also raised recommendations for management as a result of our audit work. These are set out at page 47 to 48. Our follow up of recommendations from the prior year's audit are detailed at page 49 to 60.

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.

An unmodified audit report opinion has been issued on the 27 November 2025.

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 statement, we have audited.

Headlines (2)

Value for money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified two significant weaknesses in the Authority's arrangements and are not satisfied that the Authority has made proper arrangements for securing financial sustainability. Our findings are set out in the value for money arrangements section of this report (page 61).

Per AGN03, for the purposes of auditors' work under the 2024 Code and this AGN, being 'not satisfied that the body has proper arrangements to secure economy, efficiency and effectiveness in its use of resources' means having identified a significant weakness in arrangements as part of our work with associated recommendations to the body aligned to the reporting criteria set out in the 2024 Code and AGN03.

Headlines (3)

Statutory duties

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

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

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

We have completed the majority of work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

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

Headlines (4)

National context – audit backlog

Government proposals around the backstop

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

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

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

North Somerset Council will not be impacted by the backstop, as their 2024/25 audit is being delivered on time. The Council has also not been affected by any previous backstop measures.

Headlines (5)

Implementation of IFRS 16

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

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

Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

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

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

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

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

Impact on the Authority

The Council have applied the requirements of IFRS 16 in the 2024/25 accounts. This has resulted in a £4.324 million increase to the opening balance of property, plant and equipment and £0.624 million in investment property. The Council have updated their accounting policies and disclosures accordingly and set out full details of the implementation on the opening balances as at 1 April 2024 within Note 6. As anticipated, the impact of the implementation was not material to the Authority.

02 Group Audit

Group audit

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

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

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
North Somerset Council	Yes			Grant Thornton UK LLP	Grace Hawkins	●	Our work is complete, no issues have been identified from our work performed.
North Somerset Environmental Company Limited	Yes			Westcotts (SW) LLP	Peter Lomax	●	Our work is complete, no issues have been identified from our work performed.

Key

[Scope 1]

[Scope 2]

[Scope 3]

Out of scope

●

●

●

Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)

Specific audit procedures designed by the group auditor (specific scope), but undertaken by the component auditor

Specific audit procedures designed by a component auditor (specific scope)

Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.

Planned procedures are substantially complete with no significant issues outstanding.

Planned procedures are ongoing/subject to review with no known significant issues.


Planned procedures are incomplete and/or significant issues have been identified that require resolution.

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Involvement in the work of component auditors

Scope	Component auditors involved	Summary of involvement	Changes compared to planned involvement
Scope 2	Westcotts (SW) LLP	<p>The engagement team issued Group Audit Instructions to the component auditors which included risk areas and specific procedures requested to be undertaken by the component auditors in relation to employee benefit expenditure.</p> <p>The group engagement team have reviewed all documentation in respect of employee benefit expenditure, including the underlying workpapers.</p>	In our Audit Plan, we communicated that we planned to review the component auditor’s work in relation to the balances which were significant to the group audit. This was undertaken with no significant issues identified.



- We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.

03 Materiality

Our approach to materiality (1)

As communicated in our Audit Plan dated 10 April 2025, we determined materiality at the planning stage as £9.250 million based on 2.0% of prior year gross operating costs. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements, which has led to an increase of group materiality to £10.385 million.

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

Basis for our determination of materiality

- We have determined materiality at £10.375 million based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as debt arrangements, the business environment which the Council operates and the control environment.
- We have used 2.0% of gross cost of services expenditure as the basis for determining materiality.
- The benchmark and percentage applied in determining materiality reflects the nature of the Council's primary objectives and has been considered appropriate.
- The percentage applied has been increased from 1.5% applied in the prior year, following an update to Grant Thornton internal guidance and a reassessment of risk.
- The materiality communicated in our Audit Plan was based on the cost of services reported in the 2023/24 financial statements. This has been updated upon receipt of the draft 2024/25 financial statements, which has resulted in an increase in the overall materiality.

Component Performance materiality

- Where audit work on components is being performed using component performance materiality, this has been set at £7.051 million (for North Somerset Council) and £3.561 million (for North Somerset Environment Company Ltd), with the component performance materiality used reflecting the relative risk and size of that component to the group.

Specific materiality

- A lower materiality has been determined for the senior officers' remuneration disclosure. This has been set at £10,000 per individual officer, which covers 2 bandings in the disclosure.

Reporting threshold

- We will report to you all misstatements identified in excess of £0.519 million, in addition to any matters considered to be qualitatively material.

Our approach to materiality (2)

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

	Group (£)	Authority (£)	Qualitative factors considered
Materiality for the financial statements	10,385,000	10,375,000	Financial statement materiality is based on 2.0% of 2024/25 draft gross cost of services expenditure.
Performance materiality	7,269,500	7,262,500	Performance materiality is based on 70% of financial statement materiality.
Specific materiality for Senior Officer Remuneration	10,000	10,000	We consider the disclosure of senior officers' remuneration to be a sensitive disclosure and therefore have applied a lower materiality.
Reporting threshold	519,300	518,800	Triviality is set at 5% of financial statement materiality.

04 Overview of significant and other risks identified

Overview of audit risks

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

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

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

Risk title	Risk Level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Medium	●
Valuation of land and buildings	Significant	↔	✗	High	●
Valuation of investment properties	Significant	↔	✗	High	●
Valuation of the pension fund net liability	Significant	↔	✗	High	●
The revenue cycle includes fraudulent transactions	Rebutted	↔	✓	Low	●
The expenditure cycle include fraudulent transactions	Rebutted	↔	✓	Low	●
Completeness of IFRS 16 implementation	Other	↔	✗	Low	●

- ↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan
- Not likely to result in material adjustment or change to disclosures within the financial statements

● Potential to result in material adjustment or significant change to disclosures within the financial statements

● Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks (1)

Risk identified	Audit procedures performed	Key observations
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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. 	<p>Our journals testing identified that the Council posted 141,303 transactions to the ledger, of this 4,992 were manual journal postings. There are 60 different user IDs that have posted to the ledger in the year. In total, we selected 23 journals for testing with a focus on the manual user entries.</p> <p>Our initial review of the control environment has identified that NSC continues to be a low-risk organisation. Our primary journals testing of the 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:</p> <p>As per prior years findings, MFinance users are able to post to the ledger without prior authorisation on the system. For each of the journals tested, a Journals Template was provided as evidence to support the journals selected which is completed by the journal creator detailing the nature of the journal and importantly, is reviewed and signed off by another member of the team. These templates are however in manual excel format and are susceptible to manipulation. One journal selected for testing was not reviewed or approved via the journals template due to the trivial nature of the journal. Management have agreed to implement a mandatory secondary approval for any journals that exceed value of £2.5m. This was a recommendation raised in prior year and has been followed up on as part of the 2024/25 audit, please refer to section seven of our report for further details.</p> <p>We have noted no material adjustments or findings in relation to override of controls.</p> <p>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.</p>

Significant risks (2)

Risk identified	Audit procedures performed	Key observations
<p>Valuation of land and buildings</p> <p>The significant value of land and buildings and the sensitivity to changes in assumptions.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to management’s valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Evaluated the valuer’s report to identify assets that have large and/or unusual changes in value and/or approach to the valuation and subject those assets to testing. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. 	<p>We have noted no material adjustments or findings in relation to the valuation of land and buildings or investment properties.</p> <p>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology</p>
<p>Valuation of investment properties</p> <p>The significant value of investment properties and the sensitivity to changes in assumptions.</p>	<ul style="list-style-type: none"> • Tested a sample of asset valuations to ensure that the correct accounting treatment has been applied and correctly reflected in the financial statements. • Engaged a valuation expert to review the valuation instructions sent to the Council’s valuer and the valuation report received. • For land and buildings valuations; evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to their carrying value at the year end. 	<p>Having assessed management judgements and estimates individually and in aggregate, we are satisfied that there is no material misstatement arising from management bias across the financial statements.</p> <p>Our prior year recommendations relating to valuations for property, plant and equipment and investment properties remain ongoing, please refer to our follow up of prior year recommendations at page 49.</p>

Significant risks (3)

Risk identified	Audit procedures performed	Key observations
<p>Valuation of the pension fund liability</p> <p>The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the pension liabilities, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£40.821 million in the Authority's Balance Sheet at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>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.</p> <p>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. In particular the discount and inflation rates, where our consulting actuary has indicated that 0.1% change in these two assumptions would have an approximately 1.5% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's net pension liability/asset as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Evaluated management's processes and controls for the calculation of the gross asset and gross liability and estimates, the instructions issued to the actuarial expert and the scope of their work; • Evaluated the assumptions made by the actuary in the calculation of the estimate, using work performed by an auditor's expert and additional follow up procedures, where required; • Evaluated the data used by management's experts in the calculation of the estimates; • Considered the impact of IFRIC 14 and evaluated its application; • Performed substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations; and • Assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements. 	<p>Our work in this area is substantially complete. In summary, no significant issues have been identified with the actuary, their assumptions or the methodology they have employed in the calculation of the IAS 19 values.</p> <p>As part of our work, we have also reviewed the impact of IFRIC14 on the pension figures. The assessment of IFRIC14 was made in line with national guidance. Our review did not identify any issues, and this had no impact on North Somerset Council.</p> <p>We have reviewed the IAS 19 assurances from the auditor of Avon Pension Fund and no issues have been identified.</p> <p>The Statement of Accounts have been updated to include a disclosure around the impact of the Virgin Media case.</p>

Significant risks (4)

Risk identified	Audit procedures performed	Key observations
<p>Presumed risk of fraud in revenue recognition</p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition.</p> <p>This risk was rebutted in our audit plan, and that assessment remains appropriate.</p>	<p>N/A – presumed risk of fraud in revenue recognition has been rebutted and standard audit procedures have been undertaken.</p>	<p>We have noted no material adjustments or findings in relation to revenue recognition.</p>
<p>Presumed risk of fraud in expenditure recognition</p> <p>Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.</p> <p>This risk was rebutted in our audit plan, and that assessment remains appropriate.</p>	<p>N/A – presumed risk of fraud in expenditure recognition has been rebutted and standard audit procedures have been undertaken.</p>	<p>We have noted no material adjustments or findings in relation to expenditure recognition.</p>

Other risks

Risk identified	Audit procedures performed	Key observations
<p>Completeness of IFRS 16 implementation</p> <p>In line with the Code of Audit Practice for Local Authority Accounting in the UK, North Somerset Council is required to adopt IFRS 16 Leases. Under IFRS 16, a lessee is required to recognise right-of use assets and associated lease liabilities in its Statement of Financial Position.</p> <p>This will result in the significant changes to the accounting for leases assets and the associated disclosures in the financial statements in the year ended 31 March 2025.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the reasonableness and appropriateness of the inputs and assumptions used, especially the discount rate applied in determining the lease liability; agreed on a sample basis, the accuracy of the data used by tracing them to the original contracts; checked the mathematical accuracy of the calculations undertaken by management to determine the amounts to be recognised in the Statement of Financial Position; and assessed the completeness of disclosures within the financial statements in accordance with the applicable standards. 	<p>Our work has not identified any material issues in regards to the completeness of leases or application of the new IFRS16 accounting standard.</p> <p>Please also refer to page 10 for further details over the implementation of IFRS 16.</p>

05 Other findings

Other findings – significant matters

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
Prior period adjustment identified.	<p>During 2024/25, the Council wrote out the cost and accumulated depreciation on a number of Vehicles, Plant and Equipment assets held on the Council’s fixed asset register which were disposed of, or were not in operational use, at the previous year end 31 March 2024. The cost and accumulated depreciation of these assets was materially over-stated at the previous year end.</p> <p>This correction has no impact on the Council’s core statements, including the carrying value of PPE assets, and the Council’s income or expenditure or cash flow. The corrections are actioned in the comparator table to note 24.1 Property, Plant and Equipment.</p>	<p>Auditor view</p> <p>The Authority have appropriately corrected for the issue identified and made the necessary disclosures. As noted, the PPA did not impact on the primary statements and was a disclosure adjustment within the property, plant and equipment note.</p> <p>Management response</p> <p>The adjustment arose from work undertaken by officers following review of assets with nil net book value, following an audit recommendation in 2023/24.</p>

Other findings – key judgements and estimates (1)

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

Assessment:

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £64.647 million at 31 March 2025	<p>Other land and buildings comprises of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>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 1 January 2025. 36% of total land and buildings were revalued during 2024/25.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 1 January 2025 by applying indices to determine if there has been a material change in the total value of these properties.</p> <p>(continued)</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> - assessed management's expert to ensure suitably qualified and independent; - assessed the reasonableness of the overall decrease in the estimate; - assessed the completeness and accuracy of the underlying information used to determine the estimate; - assessed the appropriateness of any alternative site assumptions; - assessed the impact of any changes to valuation method; - assessed adequacy of disclosures of estimate in the financial statements; and - assessed the consistency of the estimate against reported indices. <p>(continued)</p>	<p>● Green</p> <p>We deem management's process to be appropriate and key assumptions are neither optimistic or cautious. We deemed there to be a risk arising of a change between the position at 1 January and the position at 31 March and have applied our own indices to determine the potential change in value of assets not revalued at 31 March 2025. This identified a non-material difference.</p>

Other findings – key judgements and estimates (2)

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of land and buildings</p> <p>£64.647 million at 31 March 2025</p>	<p>Management's assessment of assets not revalued has not identified any material changes to the properties value.</p> <p>The total year end valuation of land and buildings was £64.647m, a net decrease of £29.387 million from 2023/24 (£17.1m increase).</p>	<p>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.</p> <p>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 2025. 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 date. No material issues were noted.</p>	<p>Thus, we are satisfied that the carrying value and fair value of assets is not materially misstated at 31 March 2025.</p>

Other findings – key judgements and estimates (3)

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of investment property</p> <p>£53.512 million at 31 March 2025</p>	<p>The Council revalue its investment property on an annual basis to ensure investment properties are held at fair value on the 31 March 2025 and that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>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.</p> <p>The Council has engaged Avison Young, as an external expert, to complete the 2024/25 valuation of these two investment properties.</p> <p>The Council engaged its internal valuer to undertake the valuation of the remaining investment properties.</p> <p>The total year end valuation of investment properties was £53.512 million, a net increase of £8.618 million from 2023/24 (£44.894 million).</p>	<p>We have carried out the following work in relation to the estimate:</p> <ul style="list-style-type: none"> assessed management's experts (Avison Young and the Council's internal valuers) to ensure suitably competent, capable and objective; assessed the completeness and accuracy of the underlying information used to determine the estimate; assessed the reasonableness of the overall increase in the estimate; assessed the adequacy of the disclosure of the estimate in the financial statements; and we have used an auditor's expert to review the work undertaken by both the internal and external experts. <p>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 this area.</p> <p>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.</p> <p>Our work in this area is ongoing however, no significant issues have been identified to date.</p>	<p>● Green</p> <p>No significant issues have been identified.</p>

Other findings – key judgements and estimates (4)

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
Valuation of net pension liability £40.821 million at 31 March 2025	<p>The Authority's net pension liability at 31 March 2025 is £40.821 million (2023/24: £76.499 million) comprising the Local Government Pension Scheme and unfunded defined benefit pension scheme obligations.</p> <p>The Authority uses Mercer to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the gross pension fund assets and liabilities, small changes in assumptions can result in significant valuation movements.</p> <p>There has been a decrease of £35.7 million in the net actuarial deficit during 2024/25.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> - Assessed management's expert to ensure they are suitably qualified and independent; - Assessed the actuary's approach taken, and performed detailed work to confirm reasonableness of approach; - Made use of PwC as auditors' expert to assess actuary and assumptions made by actuary – please see below: <table border="1"> <thead> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> </thead> <tbody> <tr> <td>Discount rate</td><td>5.80%</td><td>5.70%-5.9%</td><td>Reasonable</td></tr> <tr> <td>Pension increase rate</td><td>2.7%</td><td>2.60%-2.70%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>4.10%</td><td>3.81%-4.10%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>23.2 22.0</td><td>21.1 – 23.2 years/ 20.8 – 22 years</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>26.1 24.1</td><td>25.2 – 26.1 years/ 23.5 – 24.3 years</td><td>Reasonable</td></tr> </tbody> </table> <ul style="list-style-type: none"> - Assessed the completeness and accuracy of the underlying information used to determine the estimate; - Assessed the impact of any changes to valuation method; - Assessed the reasonableness of the Authority's share of the LGPS pension assets and any asset ceiling consideration under IFRIC 14; - Assessed the reasonableness of any changes in estimates; - Assessed the adequacy of disclosures of estimates in the financial statements; and - Assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Authority's financial statements. 	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.80%	5.70%-5.9%	Reasonable	Pension increase rate	2.7%	2.60%-2.70%	Reasonable	Salary growth	4.10%	3.81%-4.10%	Reasonable	Life expectancy – Males currently aged 45/65	23.2 22.0	21.1 – 23.2 years/ 20.8 – 22 years	Reasonable	Life expectancy – Females currently aged 45/65	26.1 24.1	25.2 – 26.1 years/ 23.5 – 24.3 years	Reasonable	<p>● Green</p> <p>No significant issues have been identified.</p>
Assumption	Actuary value	PwC range	Assessment																								
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Pension increase rate	2.7%	2.60%-2.70%	Reasonable																								
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Other findings – key judgements and estimates (5)

Significant Judgement - Winterstoke Road Bridge

As part of audit procedures, the audit team challenged the Council around Winterstoke Road Bridge and whether the Council were acting as agent of the MoD. Through the terms of the MOU, the MoD are responsible for and will fully fund the bridge replacement except for a £450k contribution from the Council. The MoD are also liable to cover any overspend and the Council would return any overspend albeit unlikely which has been confirmed in the MOU provided by the Council. This then indicates the Council is acting as agent of the MoD who currently bare all the risks and rewards.

However, the agreement also specifies that, at the end of the project and once replaced to an adoptable standard, the bridge will form part of the Council’s public highway and will be transferred to the Council who will then bare the risks, rewards, and ownership of the asset. The Council therefore consider it appropriate to include the asset in the balance sheet rather than as an agency transaction, so the asset doesn’t “appear out of nowhere” upon completion and transfer.

The audit team have considered whether this represents a key critical judgement however, as the only costs incurred to date is £2m, which is immaterial, this was not deemed critical.

Conclusion

The audit team are satisfied by the judgement made by management. We have raised a new audit recommendation within Section 7 of this Report, for management to closely monitor the project, as if costs incurred on the bridge exceed materiality, this may require disclosure as a critical judgement within the Statement of Accounts.

Significant Judgement – Investment Properties










While reviewing the property values, we noted two land assets (Parklands Phase 1 and Land at Uplands Nailsea) that were being valued based on the discounted amount of instalments expected from the sale of these assets. These assets had been confirmed by the valuer to have been sold for development purposes, and after the payment of the last instalment, which extends over more than one year, the assets do not revert to the Council but to the buyers.

Conclusion





As part of the prior year audit, we requested a stage three review from our external experts, who affirmed the valuer’s approach to be appropriate. We deem this to remain appropriate for the 2024/25 financial year.

Other findings – Information Technology (1)







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

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating		Related significant risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance		
Agresso	Detailed ITGC assessment (design effectiveness only)				Financial Ledger – All Significant Risks	N/A
Northgate iWorld	Detailed ITGC assessment (design effectiveness only)				Management override of controls	Findings have been reported in within Section 7 of our Report.
iTrent	Detailed ITGC assessment (design effectiveness only)				Management override of controls Valuation of the net defined pension liability	Findings have been reported in within Section 7 of our Report.

Assessment:

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

Other findings – Information Technology (2)

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating		Related significant risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance		
Active Directory	Detailed ITGC assessment (design effectiveness only)				N/A - Network	Findings have been reported in within Section 7 of our Report.
CIPFA Asset Manager	Detailed ITGC assessment (design effectiveness only)				Valuation of land and buildings Valuation of investment properties	N/A. Note, this IT system was incorporated into our work, following the issue of our audit plan, as it relates to two of the significant risk audit areas.

06 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	<ul style="list-style-type: none"> We have not been made aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any from the audit work performed.
Written representations	<ul style="list-style-type: none"> Representations were provided by management after approval at the Audit Committee, these include specific representation in respect of the prior period adjustment that has been identified.
Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the Authority's banking, lending and investment partners. This permission was granted and the requests were sent. All of the requests were returned with positive confirmations. We request 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 nothing significant of note is required to be drawn to your attention.
Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements. We did identify a number of disclosure amendments to the Statement of Accounts, which have been documented within the audit adjustment section of our Report.
Audit evidence and explanations	<ul style="list-style-type: none"> All information and explanations requested from management was provided.

Other responsibilities (1)

Issue	Commentary
Going concern	<p data-bbox="563 368 2405 546">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="563 568 2201 592">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="563 614 2405 925" style="list-style-type: none"><li data-bbox="563 614 2405 796">• 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<li data-bbox="563 818 2405 925">• For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="563 989 723 1013"><i>(continued)</i></p>

Other responsibilities (2)

Issue	Commentary
Going concern	<p data-bbox="563 368 2415 515">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="563 529 2033 711" style="list-style-type: none">• the nature of the Authority and the environment in which it operates• the Authority's financial reporting framework• the Authority's system of internal control for identifying events or conditions relevant to going concern• management's going concern assessment. <p data-bbox="563 772 2135 801">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="563 822 2313 901" style="list-style-type: none">• a material uncertainty related to going concern has not been identified; and• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities (3)

Issue	Commentary
Other information	<p>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.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to report on these matters except we have reported two significant weaknesses in relation to financial sustainability within our Auditor's Annual Report which accompanies this report.</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>Note that work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We cannot formally conclude the audit and issue an audit certificate for North Somerset Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025.</p> <p>We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.</p>

07 Audit adjustments

Audit adjustments (1)

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

No adjusted misstatements have been identified at the date of issuing our report. We will provide an update to management and the Audit Committee should any issues be identified from the remaining testing.

Impact of unadjusted misstatements

We have not identified any unadjusted misstatements above our trivial reporting threshold which have been identified at the date of issuing our report.

Audit adjustments (2)

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Review of Statement of Accounts (General)	<p>We identified minor casting errors, figures which had not yet been included, page number updates and formatting issues as part of our review of the Statement of Accounts. These were raised and processed by management where necessary. This included:</p> <ul style="list-style-type: none"> • Within Note 24.1 – PPE Movements on Balances: a hidden line within the document resulted in the assets reclassified line being omitted within the 2023/24 prior year comparison note. • Within Note 31.1 - Categories of Financial Instruments: a hidden line within the “Amortised Cost” classification for Financial Liabilities had not been included with the draft Statement of Accounts, which resulted in £147.696 million of financial liabilities measured at amortised cost being included within the Note. 	✓
Other Information	We have identified minor amendments required to be made to the narrative report to ensure it is consistent with the financial statements. These have been amended by management.	✓
Note 20 – External Audit Costs	The external audit disclosure has been updated now that final 2024/25 fees have been confirmed. Whilst external audit costs in the ledger were correctly stated, disclosures reconciling the total in the ledger to the final audit fee were amended to reflect changes to the fees after the accounts were drafted.	✓
Note 25 – Investment Properties	The investment property note includes a comment on the valuation process, and there are opportunities to enhance this disclosure noting that the Council both have internal valuers and external valuers, who value two assets, which constitute a significant portion of the Council’s investment properties. At present, the note implies only internal valuers are utilised.	X

Audit adjustments (3)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 35.1 – Pension Liabilities	<p>Following updated guidance, North Somerset Council have added a new narrative disclosure around the impact of the Virgin Media case:</p> <p><i>“On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court’s ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. The Council and administering authority are monitoring developments as to whether there is expected to be any impact on LGPS Funds. Due to this on-going uncertainty, the Council has agreed with the actuary’s advice not to make any allowance for the potential impact of the Virgin Media case in its financial statements.”</i></p>	✓

Impact of unadjusted misstatements in the prior year (1)

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

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
<p><u>Grant Income, Provisions and Additions:</u></p> <p>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.</p> <p>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.</p>	<p>DR Capital Grant Income CIES £888k</p> <p>DR Provisions £888k</p> <p>CR PPE £888k</p>	<p>CR Debtors £888k</p>	<p>Decrease in Income by £888k</p>	<p>Decrease in general fund by £888k.</p>	<p>Not material</p>

Impact of unadjusted misstatements in the prior year (2)

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
<p>Land and Building Valuations:</p> <p>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. 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.</p> <p>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. 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.</p> <p>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.</p>	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.

Impact of unadjusted misstatements in the prior year (3)

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
<p><u>Investment Property Valuations:</u></p> <p>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.</p> <p>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.</p> <p>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.</p>	DR Financing and Investment Income and Expense £281k	CR Investment Property £281k	Decrease in income £281k	Decrease £281k	Not material

Impact of unadjusted misstatements in the prior year (4)


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				
<p><u>Pension Liability:</u></p> <p>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) by the actuary, 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.</p> <p>Accounting entries:</p> <table><tr><td>Dr Pension liability</td><td>£50k</td></tr><tr><td>Cr Pension reserve</td><td>£50k</td></tr></table> <p>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.</p>	Dr Pension liability	£50k	Cr Pension reserve	£50k	<p>DR other Comprehensive Income £1,462k</p> <p>CR Other Comprehensive Income £1,512k</p>	<p>DR Pension Liability £1,512k</p> <p>CR Pension Liability £1,462k</p>	<p>Increase in income (OCI only) £50k</p>	<p>Decrease to Pension Reserve £50k, no impact on General Fund.</p>	<p>Not material</p>
Dr Pension liability	£50k								
Cr Pension reserve	£50k								

Impact of unadjusted misstatements in the prior year (5)

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
<p>Infrastructure Impairments:</p> <p>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.</p>	NA	DR Infrastructure Additions £521k CR Infrastructure Impairments £521k	NA	NA	Not material
Overall impact of prior year unadjusted misstatements	DR £404k	CR £404k	£404k increase net expenditure	£1,169k decrease (£50k Pension Reserve increase and £715k Revaluation Reserve increase)	
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	DR £404k	CR £404k	£404k increase net expenditure	£1,169k decrease (£50k Pension Reserve increase and £715k Revaluation Reserve increase)	

Action plan (1)

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

Assessment	Issue and risk	Recommendations
<div> Medium</div>	<p>IT Audit Report: Non-IT Personnel users with privilege access on Active Directory</p> <p>During our review , it was noted that 17 Non-IT Personnel who are not part of the IT team or Third-party support have privileged access on Active Directory.</p> <p>Risk</p> <p>Unauthorized Access: Non-IT personnel may inadvertently or intentionally access sensitive data or systems that they are not authorized to view or modify, leading to potential data breaches.</p> <p>Privileged accounts are prime targets for cyber attackers. Non-IT personnel may not be as vigilant or knowledgeable about security practices, making these accounts more vulnerable to exploitation.</p>	<p>Management should implement the Role-Based Access Control (RBAC) to ensure that access rights are aligned with the user’s roles and responsibilities.</p> <p>Management should ensure that formal reviews of user access rights are performed periodically by the system and/or business owner of the application. These reviews should evaluate the:</p> <ul style="list-style-type: none">• continued appropriateness of user access permissions; and• adequacy of segregation of duties where multiple privileges are held within an application or across applications. <p>Management response</p> <p>The non-IT personnel having ‘privileged’ access they would have been granted this as part of their roll.</p> <p>A review of these users will be undertaken and where appropriate access removed.</p>

Key

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

Action plan (2)

Assessment	Issue and risk	Recommendations
<div><div></div><div>Low</div></div>	<p>Winterstoke Road Bridge:</p> <p>At the end of the road bridge project and once replaced to an adoptable standard, the bridge will form part of the Council’s public highway and will be transferred to the Council who will then bare the risks, rewards, and ownership of the asset. The Council have considered it appropriate to include the asset in the balance sheet within the Statement of Accounts rather than as an agency transaction, so the asset doesn’t “appear out of nowhere” upon completion and transfer.</p> <p>Risk</p> <p>There is a risk that management’s assessment of whether the project represents a key critical judgement may not be appropriately disclosed or considered in the financial statements. While costs incurred to date are £2 million and currently immaterial, future expenditure could become significant, increasing the potential for material misstatement if judgements are not revisited.</p>	<p>Management should closely monitor the project and if costs incurred on the bridge exceed materiality, the Council should consider whether a disclosure is required as a critical judgement within the Statement of Accounts.</p> <p>Management response</p> <p>Agreed.</p>

Progress against prior year audit recommendations (1)

We identified the following issues in our 2023/24 audit of the Council’s financial statements, which resulted in 20 recommendations being reported in our 2023/24 Audit Findings Report. We have followed up on the implementation of our recommendations and 8 are still to be addressed.

Assessment	Issue and risk previously communicated	Recommendation and Management Update
Closed	<p><u>Dedicated Schools Grant Adjustment Account</u></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>2024/25 Year-End Update: We have not identified any issues during the 2024/25, thus, action is closed.</p>

Progress against prior year audit recommendations (2)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
In progress	<p>Journals Testing – (Management Override of Controls)</p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: Mitigating controls including a journals template has been introduced by management. One journal selected for testing was not reviewed or approved via the journals template due to the trivial nature of the journal. Management have agreed to implement a mandatory secondary approval for any journals that exceed value of £2.5m.</p> <p>Management response: No changes in the manual controls currently in place have been implemented in 2024/25. As discussed in previous years, the implementation of system based additional approval of journals by MFINANCE users is considered likely to lead to inefficiencies and additional burdens on staff. As discussed, manual review controls have been implemented and have proven over a number of years to be effective in preventing and detecting material error in the posting of journals.</p>
In progress	<p>Journals Testing – (Management Override of Controls)</p> <p>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 identified and corrected 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.</p>	<p>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.</p> <p>2024/25 Year-End Update: No issues were identified from our journals testing in 2024/25. Given this actions hasn’t been implemented, remains ongoing.</p> <p>Management response: This recommendation was not agreed and hence has not been implemented. As discussed in the previous year, 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 an effective manual control to address the weakness, which successfully identified and corrected such journals before audit testing identified them.</p>

Progress against prior year audit recommendations (3)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
Closed	<p><u>Journals Testing – (Management Override of Controls)</u></p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: No issues were identified from our journals testing in 2024/25. Given no issues identified, action is marked as closed.</p>
Closed	<p><u>Journals Testing – (Management Override of Controls)</u></p> <p>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.</p>	<p>We recommend that controls are put in place so that this error cannot be made in the system.</p> <p>2024/25 Year-End Update: There was one transaction during 2024/25 which exceeding £1 billion, which related to the opening balances brought forward. Given the nature of this transaction, this is expected and action is marked as closed.</p>

Progress against prior year audit recommendations (4)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
In progress	<p><u>PPE Revaluations:</u></p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: Within the 2024/25 Statement of Accounts, £3.680 million of land and building assets were valued at historical cost. Action remains ongoing.</p> <p>Management response: Assets held at Historic Cost have been reviewed. Where necessary have been included in the 2024/25 revaluation programme or relate to component parts of assets which have been revalued within the last 3 years. The classification of these components in the asset register is incorrect due to a software issue. The issue was raised with CIPFA, the asset register provider, who have now provided a fix.</p>
Closed	<p><u>PPE Revaluations:</u></p> <p>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.</p>	<p>Terms of engagement should be updated to ensure that this is reviewed.</p> <p>2024/25 Year-End Update: The Terms of Engagement have been updated, this action is marked as closed.</p>

Progress against prior year audit recommendations (5)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
In progress	<p><u>Cash and Cash Equivalents</u></p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: Similar to the prior year, the balance on the suspense account was £89,259 at year-end. As such, this recommendation remains in progress.</p> <p>Management response: The balances held in suspense codes will be reviewed and cleared as part of the accounts closure process. Some balances remain appropriately included as debtor or creditor balances.</p>
In progress	<p><u>Related Parties</u></p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: Similar to the prior year, five members declarations were not received by the year-end, and as at end of September, three declarations remain outstanding. As part of training provided, emphasis should also be made on completeness of declarations which should also cover closely associated persons. As such, this recommendation remains in progress.</p> <p>Management response: Officers have again highlighted the importance of completion of these declarations to members.</p>

Progress against prior year audit recommendations (6)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
Closed	<p><u>Nil NBV assets:</u></p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: Following our prior year recommendation, management have completed a review of nil NBV assets. This has resulted in a prior period adjustment to the Statement of Accounts, please refer to page 25 for further details. As such, this recommendation has been marked as complete.</p>
In progress	<p><u>Investment Property Valuations:</u></p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: This issue has not been resolved during 2024/25 and as such, recommendation remains ongoing.</p> <p>Management response: Valuers have been requested to obtain confirmation of land area supporting this investment property valuation.</p>

Progress against prior year audit recommendations (7)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
Closed	<p><u>Journals Testing – (Management Override of Controls)</u></p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: In 2024/25, we have not identified any journals posted without a description therefore, this recommendation has been closed.</p>
Closed	<p><u>Journals Testing – (Management Override of Controls)</u></p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: We did not identify any significant issues with regards to the GL transaction provided for audit. Thus, this recommendation is marked as closed.</p>

Progress against prior year audit recommendations (8)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
Closed	<p>Journals – (Management Override of Controls)</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: At year-end, there were 60 user accounts that have posted to the ledger during the financial year. We have not found any issues in our testing around journals, therefore, action is closed.</p>
Closed	<p><u>Review of fixed asset register:</u></p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: Management have completed a review of fully depreciated assets with nil NBV. As such, this recommendation has been marked as complete.</p>

Progress against prior year audit recommendations (9)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
Closed	<p><u>Employee Remuneration (Payroll):</u></p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: At year-end, a minor trivial difference of 1 FTE was noted in the year-end FTE and expected FTE when adjusting for in-year starters and leavers. As such, this recommendation has been marked as complete.</p>
Closed	<p><u>Employee Remuneration (Payroll):</u></p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: No issues were identified from our payroll analytical review completed at year-end and backdated pay reports were available to the audit team. As such, this recommendation has been marked as complete.</p>

Progress against prior year audit recommendations (10)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
In progress	<p><u>Pooled Budgets:</u></p> <p>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.</p>	<p>Therefore, recommended that the Council ensures the appropriate documentation is retained to support these balances.</p> <p>2024/25 Year-End Update: Similar to the prior year, s75 and s256 remained unsigned and in draft status. As such, this recommendation remains in progress.</p> <p>Management response:</p> <p>The Council continues to work pro-actively with the ICB to reach agreement on final figures on a timely basis. However, agreements are legally binding and require agreement by both parties. Hence, resolution of low value disputes are likely to again delay signing of the current year agreements. Officers will continue to ensure that the other sources of information are retained to support these entries.</p>

Progress against prior year audit recommendations (11)

(IT Audit Findings)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
In progress	<p><u>IT Review - Inadequate oversight around generic users (iTrent)</u></p> <p>It was noted that there was no process of monitoring audit logs for generic accounts in iTrent Application.</p> <p><u>Inadequate oversight around generic users (Northgate iWorld)</u></p> <p>It was noted that there was no process of monitoring audit logs for generic accounts - RB and FSC in Northgate iWorld Application.</p>	<p>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:</p> <ul style="list-style-type: none">- 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. <p>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.</p> <p>2024/25 Year-End Update: These issues have been raised within the 2024/25 IT Audit Report and as such, these actions remain in progress.</p> <p>Management response:</p> <p>iTrent - the recommendation regarding disabling the SYSADMIN account and creating named ICT accounts for daily checks was already implemented last year following the previous ITGC Audit.</p> <p>Northgate iWorld – As previous discussed, system administration staff have unique and individual credentials for routine work, and only use generic accounts for specific work such as annual billing / bulk processes and parameter changes. iWorld administrators are a small team who are aware of who has these access privileges, and so could trace an IP address if the generic account was used for unplanned work. We expect forthcoming iWorld release 6.13 will contain some improvements in monitoring access. These will be investigated once the new release is available.</p>

Progress against prior year audit recommendations (12)

(IT Audit Findings)

Assessment	Issue and risk previously communicated	Recommendation and Management Update
Closed	<p><u>IT Review - Inadequate controls for terminating leavers access. (Northgate iWorld)</u></p> <p>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.</p>	<p>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.</p> <p>2024/25 Year-End Update: This action has been remedied and has been marked as closed.</p> <p>Management response: As discussed in the previous year, leaver details are prioritised for action. Procedures are in place to ensure timely revocation of access. Based on the information provided, the Northgate account access was revoked within 3 working days.</p>

08 Value for Money arrangements

Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024/25. Our draft AAR accompanies this audit findings report presented to the Audit Committee on 27 November 2025.

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



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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

In undertaking this work we have identified two significant weaknesses in arrangements. These are outlined in detailed within our Annual Audit Report, which is being presented alongside this Report.

09 Independence considerations

Independence considerations (1)

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

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. No such breaches have been identified.

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Independence considerations (2)

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or 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 Authority or 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 Authority or 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 Authority/group, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services (1)

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to November 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

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

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

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to North Somerset Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Audit fees	£
Audit of Authority (scale fee)	380,475
Introduction of IFRS 16*	2,100
Total	382,575

* Potential for additional fees was flagged in our Audit Plan as this is the first year of the implementation of the new standard. This has been calculated based on the additional time taken to gain assurance over the Council’s approach and implementation.

Fees and non-audit services (2)

Audit-related non-audit services

Service	2023/24 (£)	2024/25 (£)	Threats Identified	Safeguards applied
Certification of housing benefits subsidy claim – 2021/22	18,850	-		
Certification of housing benefits subsidy claim – 2022/23*	30,000	28,170		
Certification of housing benefits subsidy claim – 2023/24*	26,334	26,334	Self-Interest (because this is a recurring fee) Self-review (because Grant Thornton provides audit services) Management (as Grant Thornton reports to the grant paying body)	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 £142,379 in comparison to the total fee for the audit of £382,575 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 risk to an acceptable level.
Certification of housing benefits subsidy claim – 2024/25**	-	35,000		
Certification of teachers' pension claim – 2021/22	7,500	-		
Certification of teachers' pension claim – 2022/23*	10,000	10,000		
Certification of teachers' pension claim – 2023/24*	12,500	12,500		
Certification of teachers' pension claim – 2024/25	-	12,500		
CFOI (Insights) – 2022/23	16,000	-		
CFOI (Insights) – 2023/24	10,000	-		
CFOI (Insights) – 2024/25	-	10,000		
Local Transport Plan Major Projects claim – 2024/25	-	7,875		
Total	131,184	142,379		

*These services were engaged in prior periods but have continued to be delivered into 2024/25 and therefore, are included in both years.

** This is currently an estimate until the prior year work is completed.

Total audit and non-audit fee

Audit fee: £382,575	Non-audit fee: £142,379
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The above fees are exclusive of VAT and out of pocket expenses.

Fees and non-audit services (3)

The fees reconcile to the financial statements as follows:

Service	2024/25 (£)
Audit of Authority	380,475
Fee Variations:	
2022/23 Fee Variations less than previously accrued/estimated	(2,000)
2023/24 Fee Variations more than previously accrued/estimated	19,000
2024/25 Fee Variations (not included in Audit Plan)	2,100
2024/25 Fee Variations estimated at closedown not included in Annual Audit Report	15,000
Services engaged in 2024/25:	
Certification of housing benefits subsidy claim – 2024/25	35,000
Certification of teachers' pension claim – 2024/25	12,500
CFOI (Insights) – 2024/25	10,000
Local Transport Plan Major Projects claim – 2024/25	7,875
Total	479,950

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

Additional fee analysis – fee variation for IFRS 16

The following table sets out further information on additional fees.

Grade	Rate (Determined by PSAA)	Hours	Fee variation for Audit 2024/25
Partner/Director	£428	0	Senior review time has been absorbed into the allocated review time for the audit.
Senior Manager/Manager	£236	0	
Senior Auditor	£153	0	N/A
Other staff	£117	18	2,100 *(rounded)
Total			2,100





The above is subject to review by PSAA who will make a final determination.

10 Appendices

A. Communication of audit matters with those charged with governance (1)

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Planned use of internal audit (note, the audit team do not rely on the work of internal audit)	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit.	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance (2)

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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



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