

The Audit Findings (ISA260) Report for Bath and North East Somerset Council

Year ended 31 March 2024





Bath and North East Somerset Council

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18 November 2024

Dear members of the Corporate Audit Committee

Private and Confidential

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Audit Findings for Bath and North East Somerset Council for the 31 March 2024

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

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

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

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#).

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

Beth Bowers

Director
For Grant Thornton UK LLP

Chartered Accountants

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

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

Financial Statements

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

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

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), 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-October as planned. Our findings are summarised on pages 7 to 23. We have not identified any adjustments to the financial statements during our work to date. We have identified a small number of presentational changes to the financial statements which have now been adjusted for in the final versions, none of which have impacted on the Council's general fund. These amendments are detailed at pages 34 and 35. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

The financial statements and supporting papers were prepared to a good standard. We received excellent cooperation from finance officers with samples returned in a timely manner comprehensive responses to queries

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- Consideration of the REFCUS classification
- Going concern assessment
- Final quality control review processes
- receipt of management representation letter ; and
- review of the final set of financial statements

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

Our anticipated financial statements audit report opinion will be unqualified. We anticipate completing all work in October, ahead of the November Corporate Audit Committee, and an opinion shortly after committee.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

As part of planning our audit work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness.

We have completed our work on Value for Money arrangements and the findings are set out in our draft Auditor's Annual Report which was included within the 25 September 2024 Corporate Audit Committee papers.

As a result of our work, we have identified one significant weakness in the Council's arrangements during 2023/24 in relation to financial sustainability arrangements and specifically the dedicated school grants (DSG) high needs deficit. Work identified that the Council did not have proper arrangements in place to manage the high needs element of the DSG within its agreed recovery plan. This has resulted in a deficit against the safety valve programme which has led to the suspension of the programme and the Council being put under enhanced measures.

Further detail is set out on pages 24 to 26 and our Auditor's Annual Report.

Statutory duties

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

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

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

We have completed the majority of work under the Code. There has been a formal objection to the financial statements and we will certify the audit upon resolution of the issues raised.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during the audit.

1. Headlines

National context – audit backlog

Consultation

The Ministry for Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)
- [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. Whilst we are satisfied that this issue will not impact on the Council, once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

National context – level of borrowing

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

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Bath and North East Somerset is not immune to the challenges the current financial environment present, and continues to manage ongoing finances through a number of mechanisms including investment properties and borrowing to deliver services. The Council has increased both short-term, by £10.4m, and long-term borrowing, by £25.6m, in the year as a means to ensure the continued delivery of services and has avoided making inappropriate investments outside of the geographical area of Bath and the South West. The challenge will remain for the coming years and we will continue to monitor the Council's performance, both in the financial statements and through the assessment of VfM arrangements.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that no balances/transactions of the components were material and therefore only analytical procedures are required. This has required an amendment to the plan as set out below
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 28 March 2024, to reflect that the components of the group accounts do not contain any balances that would materially impact on the either the entity or group accounts.

We identified the following significant risks in relation to the group:

- The revenue cycle includes fraudulent transactions
- Management override of controls
- Valuation of land and buildings including investment properties

As these balances are not material we have completed analytical procedures and confirmed the accuracy of the consolidation process.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Corporate Audit Committee meeting on 27 November 2024. These outstanding items have been identified on page 4 of this report

Acknowledgements

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

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan in March 2024

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

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	7,880,000	7,700,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year and monitors spend against this, therefore gross expenditure was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 1.9% was an appropriate rate to apply to the expenditure benchmark.
Performance materiality	5,910,000	5,775,000	Our performance materiality has been set as 75% of our overall materiality
Trivial matters	390,000	385,000	Calculated as a percentage of headline materiality and in accordance with auditing standards
Materiality for Senior Officer remuneration	26,818	26,818	Senior Officer Remuneration is considered highly sensitive and of particular interest to the reader's of the accounts. We have applied the materiality level of 1.9% to the senior officer remuneration balance



2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals. • used Inflo, our data analysis software, undertakes a number of checks on the data, such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with management and obtained sufficient explanations and corroboration for these • tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration. • reviewed manual journals, within Inflo, to identify those deemed to be high risk to be selected for testing. We selected and shared our sample with management for them to provide us with evidence to support the entries. We completed our testing upon receipt of this supporting documentation. • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness, and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions <p>As in previous years we note that no formal approval process exists for those journals under £500k and assurance is taken from review of a sample of journals, below this threshold, on a monthly basis. We have tested authorisation as part of our work and have not identified any issues but consider this is an inherent weakness within the process and have raised a recommendation. Our work is complete and no further issues have been identified</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to Council and/or Group	Commentary
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	Group and Council	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> - There is little incentive to manipulate revenue recognition - Opportunities to manipulate revenue recognition are very limited - The culture and ethical frameworks of local authorities, including BaNES Council, mean that all forms of fraud are seen as unacceptable <p>Within the Audit Plan, presented to the Council in March 2024, we identified improper revenue recognition as a risk at the group level. Having reviewed the group balances no material balances were identified and, therefore, this is no longer considered a significant risk at the group level.</p>
<p>Risk of fraud related to expenditure recognition PAF Practice Note 10</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)</p>	Group and Council	<p>We have</p> <ul style="list-style-type: none"> • Evaluated the groups accounting policy for recognition of expenditure for appropriateness; • Gained an understanding of the Council's system for accounting for expenditure and evaluate the design of the associated controls; • Identified and test a sample of transactions received post year end to ensure these have been classified to the correct year. • Agree, on a sample basis, amounts recognised as expenditure in the financial statements to supporting documents <p>Our work has not identified any issues with expenditure.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to Council and/or Group	Commentary
<p>Valuation of land and buildings and investment properties</p> <p>The group revalue its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£262.210m in the Group balance sheet at 31/03/23) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. The Group also has material investment properties (£264.431m in the Group balance sheet at 31/03/23) which must be valued annually at 31 March.</p> <p>We therefore identified valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	Group and Council	<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 valuation experts and the scope of their work, evaluated the competence, capabilities and objectivity of the valuation expert, written to the valuer to confirm the basis on which the valuation was carried out, challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, tested revaluations made during the year to see if they had been input correctly into the group's asset register, and evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>As part of our review we have identified several assets that are fully depreciated but are still in the fixed asset register as operational. The gross book value of these assets is £21.597m of which £15.396m relates to infrastructure assets and the remaining £6.201m relates to other land and buildings. Management undertake a review of all assets to ensure that only those that are operational are disclosed in the financial statements and consider whether useful economic lives, over which assets are depreciated, are appropriate. However, there was no evidence that the process has been used to inform future decisions or consideration of the useful economic lives of assets and, therefore, we continue to consider impact with management.</p> <p>Our testing of 2023-24 information identified several variances between the data used by the actuary and those used by the auditor's expert to gain assurance. We also identified variances because of the valuer using car park data prior to the year end which have been recalculated using the year end data which was available during the audit. The overall impact is an £891k understatement.</p> <p>Testing of investment properties identified variance within the calculation of gross rents, floor areas and stamp duty upon recalculation using the supporting data. We have extrapolated these variances which has identified an understatement of £498k. This, along with the PPE variance identified above will be included as unadjusted misstatements.</p> <p>Our work has also considered balances in relation to the group which have been subject to the same testing as for the Council outlined above. No issues have been identified.</p> <p>We have not identified any further issues in our work</p>

2. Financial Statements: Significant risks


Risks identified in our Audit Plan	Relates to Council and/or Group	Commentary
<p>Valuation of the pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, 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 (£82.7m in the Council's balance sheet) 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 of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</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.</p> <p>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 a 0.1% change in these two assumptions would have approximately 1.5% effect on the liability/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and • agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • obtained assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>Within the year it was identified that IFRIC 14 calculations in relation to debt ceilings had not been appropriately considered by the Actuary through a combination of error and not being requested to by Council's and pension funds. We discussed the issue with management who requested an updated actuary calculation through the Actuary. This was received and we have reviewed it and consider that there is no further impact on the Council's liability position.</p> <p>We did not identify any further issues.</p>

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





Component	Component auditor	Findings	Group audit impact
Bath and North East Somerset Council	Grant Thornton UK LLP	See pages 9 to 12 for significant risks work undertaken and any issues identified	No issues have been identified that impact on the group audit.
Aequus Holdings Group Ltd including Aequus Development Ltd and Aequus Construction Ltd	Bishop Fleming LLP	<p>Full scope UK statutory audit performed by Aequus Holdings Group Ltd Auditors, Bishop Fleming LLP. The nature, time and extent of our involvement in the work included a discussion on risks and meeting with appropriate members of management.</p> <p>As reported in our Audit Plan in March 2024, we proposed to undertake the audit of one or more classes of transactions, account balances or disclosure relating to significant risks of material misstatement of the group financial statements. On receipt of the draft accounts there were no component balances that were material to the group accounts and, therefore, analytical procedures at group level we completed</p> <p>For those significant risks identified as relating to the group at planning we are satisfied these are not material and, therefore, there is no risk of material misstatement</p>	No issues have been identified that impact on the group audit.

2. Financial Statements: key judgements and estimates


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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £303.503m	<p>Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged internal valuers, Avison Young, Wilks Head & Eve to complete the valuation of properties as at either 31 December 2023 or 31 March 2024 on a five yearly cyclical basis. Approximately 20% of total assets were revalued during 2023/24.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2023 by applying indices to determine whether there as been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.</p> <p>The total year end valuation of land and buildings was £303.503m, a net increase of £41.293m from 2022/23 (£262.210m).</p>	<p>We have reviewed the detail of your assessment of the estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure that they are suitably qualified and independent Assessed the completeness and accuracy of the underlying information used to determine the estimate Confirmed there were no changes to valuation method Assessed the consistency of the estimate against near neighbours and using the Auditor's expert report Considered sensitivities used by the valuer to assess the completeness and consistency of information in line with our understanding Assessed the adequacy of disclosure of the estimate in the financial statements <p>Our work identified several variances between the assumptions used by the valuer and the data provided by the auditor's expert. There was also a variance in car park valuations due to the valuer using data from prior to the year end. We have extrapolated these errors and they are an £891k understatement which is not material. We therefore consider management's estimate to be appropriate.</p>	 Green





Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £242.016m	<p>The Council has engaged BNP Paribas and Wilks Head & Eve to complete the valuation of properties as at 31 March 2024. 100% of assets were revalued during 2023/24.</p> <p>The total year end valuation of investment property was £242.016m, a net decrease of £14.369m from 2022/23 (£256.385m).</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 completeness and accuracy of the underlying information and data used to determine the estimate Confirmed there were no changes to the valuation method; and Assessed the consistency of the estimate using the auditor's expert report <p>Our work is ongoing. We have raised queries with the external valuer and have received responses to those queries.</p> <p>Our testing identified variances in valuations as a result of gross rents, floor areas and stamp duty recalculations based on supporting documentation provided by management. This has resulted in an understatement of £498k which is not material and, therefore, we consider management's estimate to be appropriate.</p>	 Green

Assessment

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


2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £83.136m	<p>The Council's net pension liability at 31 March 2024 is £83.136m (PY £116.640m) comprising the Avon Pension Fund Local Government defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. This included gaining assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place We also evaluated the competence, expertise and objectivity of the actuary who undertook the pension fund valuation and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made as per the table 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>4.90%</td><td>4.90%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.8%</td><td>2.7% - 2.8%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>4.20%</td><td>3.95% - 4.20%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>23.3 / 22</td><td>22.0 – 23.5 / 20.7 – 22.2</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>25.8 / 24.1</td><td>25.0 – 26.2 / 23.2 – 24.4</td><td>●</td></tr> </tbody> </table> <ul style="list-style-type: none"> We have confirmed the consistency of the pension fund assets, liabilities and disclosures in the notes to the financial statements with the actuarial reports. We have gained assurance over the reasonableness of the Council's share of the LGPS pension assets <p>We have received and reviewed the IAS19 assurance from the pension fund auditor over member numbers and did not identify any further issues</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.90%	4.90%	●	Pension increase rate	2.8%	2.7% - 2.8%	●	Salary growth	4.20%	3.95% - 4.20%	●	Life expectancy – Males currently aged 45/65	23.3 / 22	22.0 – 23.5 / 20.7 – 22.2	●	Life expectancy – Females currently aged 45/65	25.8 / 24.1	25.0 – 26.2 / 23.2 – 24.4	●	<div>●</div> <p>Green</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.90%	4.90%	●																								
Pension increase rate	2.8%	2.7% - 2.8%	●																								
Salary growth	4.20%	3.95% - 4.20%	●																								
Life expectancy – Males currently aged 45/65	23.3 / 22	22.0 – 23.5 / 20.7 – 22.2	●																								
Life expectancy – Females currently aged 45/65	25.8 / 24.1	25.0 – 26.2 / 23.2 – 24.4	●																								





Assessment

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

2. Financial Statements: key judgements and estimates













Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £10.184m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £10.184m, a net increase of £1.01m from 2022/23. This represents a 3% charge against the CFR.</p>	<p>We have undertaken the following work</p> <ul style="list-style-type: none"> the MRP has been calculated in line with the statutory guidance the Council's policy on MRP complies with statutory guidance. Confirmed there has been no change in the calculation of MRP from the prior year Considered that the increase in MRP charge is appropriate <p>Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. Initial discussions with management and review of calculations has not identified any evidence of non compliance and we will continue to review the position in future years.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.</p>	 Green

Assessment





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

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Agresso	Roll-forward ITGC assessment (design effectiveness only)					N/A
iTrent (Including Altair)	Roll-forward ITGC assessment (design effectiveness only)					Altair is used for pension calculations based on information within iTrent. We have considered the underlying assumptions included within the pension liability
Active Directory	Roll-forward ITGC assessment (design effectiveness only)					Access controls have been taken into account as part of our strategy for testing of journals to address the risk of management override of controls.

Assessment

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

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
	<p>Insufficient Evidence of Implementation of Cyber Security controls</p> <p>Our audit procedures identified that the following cybersecurity controls were not in place</p> <ul style="list-style-type: none"> - There is no data classification policy in place 	<p>Management should ensure that all required policies are in place and reviewed to ensure they are relevant and up to date</p> <p>Management response</p> <p>There is a draft classification policy which is based on the North Somerset Council policy. Our policies, information Security and Information Governance services are through One West which support both BaNES Council and North Somerset Council. The BaNES specific data classification policy will be going through the approval process this year.</p> <p>Policies are reviewed on a regular basis. Policies are reviewed in our Cyber Security Operations Group (CySOG) who meet monthly. There is also a standing quarterly meeting with all relevant stakeholders to review policies that are due for review that are not for the CySOG group</p>
	<p>We identified one individual from Finance Team who was granted admin access rights within Civica system to update user names and service lines of individuals in preparation for Midcall project of the Council. The access was only removed when it was raised by the engagement team.</p>	<p>Management should review access rights to ensure that these are appropriate and where not access rights should be corrected accordingly.</p> <p>Management response</p> <p>The admin user's access has been revoked to ensure the security and integrity of our system. The specific scenario was one where for a project an individual needed the access temporarily and was requested from the service area, we were awaiting confirmation that the access was no longer required to remove the access.</p> <p>Immediate action is for Financial Systems to review all user accounts with Admin Access to Civica and ensure the access is appropriate as per the user's role, going forward the mitigation will be to schedule a 6 monthly review of admin accounts. Appropriate change controls are in place that require manager approval.</p>

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
	<p>Review of access rights within Logotech, the Council's database management system, identified three users who have all administrative rights to all parts of the system. There is no audit record of new users or leavers and therefore it is possible for these individuals to add and remove users and change underlying data. There is a risk that inappropriate adjustments can be made which could have an impact on the financial statements. Review of asset records as part of our testing has not identified any specific issues.</p>	<p>Management should review the access rights of users of feeder systems to ensure that these are appropriate and that records exist and are reviewed showing any changes made to the data.</p> <p>Management response</p> <p>The responsibility for system administration of the Logotech Asset Register software and user access will transfer to the Financial Systems team to separate this role from the system users in the Capital Project Finance Team. A protocol will be introduced for processing new users and leavers.</p> <p>All current users will be reviewed with appropriate change controls put in place that require manager approval.</p>
	<p>Capital commitments for future years are a material disclosure within the statement of the accounts and are subject to testing. Management have been unable to provide sufficient appropriate documentation to support the disclosure. Although we have been able to confirm the accuracy of the figure We note that this does not impact the primary statements or impact the Council outturn position</p>	<p>Management should ensure all relevant documentation is retained to support disclosures within the statement of accounts.</p> <p>Management response</p> <p>As in previous years, the Capital Commitments are produced by obtaining the value of Official Orders outstanding and yet to be delivered from the Council's Financial Management System. It has been agreed that this is the correct method, but we will provide further evidence, including supporting contract documentation, in future.</p>

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	4 June 2024	10 June 2024	We experienced no delays in receiving the information and there was no issues identified with the data provided.
Opening trial balance for 2023-24	4 June 2024	20 June 2024	There is a requirement for the audit team to observe the download of the TB in order to provide assurance that all parameters are appropriate and that complete data has been provided. No issues with the data provided were identified
Closing trial balance for 2023-24	4 June 2024	24 June 2024	
All general ledger transactions during 2023-24	20 June 2024	2 July 2024	We experienced no delays in receiving the information and there was no issues identified with the data provided.
Draft accounts for 2023-24	N/A	31 May 2024	There is a statutory reporting date by which Council's are due to publish draft accounts on the Authority's website. The draft accounts were published on 31 May 2024, in line with the statutory reporting date, and was confirmed by Audit.

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. Our testing of related parties identified the following: - Management included related parties which were not material and which did not meet the requirements of the Code
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and counterparty institutions. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation,
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements and identified one issue: <ul style="list-style-type: none"> • We identified four disclosures which are not material and are not required as per the Code • We identified that the depreciation policy had not been accurately disclosed • We noted that management had included assets with a useful economic life beyond the prescribed 50 years within the minimum revenue provision calculation.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. We were provided with all requests in a timely manner and in line with the expectation with one exception: <ul style="list-style-type: none"> • We originally requested a full listing of all Council employees and were provided with the listing. On review of the information it was noted that the listing included non-council staff who were not within the scope of our testing and required the report to be run again to allow our testing to be completed. No further issues in the listing were identified.

2. Financial Statements: other communication requirements



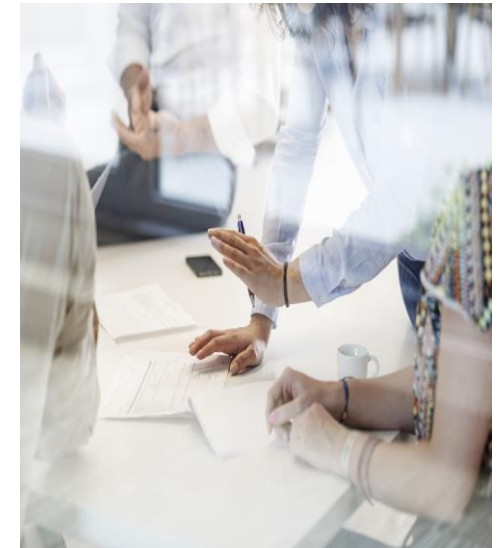
Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council’s financial reporting framework the Council’s system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>We have not completed our testing in this area. We will obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

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, Narrative Report and Pension Fund Financial Statements), 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/es. <p>We have nothing to report on these matters.</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> <ul style="list-style-type: none"> • Note that work is not required as the Council does not exceed the threshold;
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2023/24 audit of Bath and North East Somerset Council in the audit report, due to receipt of a formal objection which will need to be considered and responded to and the requirement to completed the WGA return.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate draft Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weakness we identified is detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
<p>In 2022/23 we found that the Council did not have effective arrangements in place to manage the High Needs element of the Dedicated Schools Grant (DSG) within its agreed recovery plan and identified this as a significant weakness in arrangements. We consider that this significant weakness remains in 2023/24.</p> <p>The Council has had a DSG deficit since 2019/20. The Council has been working with the Department for Education (DfE) to reduce the deficit and achieve a sustainable financial position. In 2022/23 the Council was accepted as part of the Safety Valve (SV) programme and secured additional funding of £19.2m over the next seven years. The first part of which was received in 2022/23 of £7.68m. The aim of this original plan was to breakeven in 2028/29 after receiving a total of £19.22m from the DfE as part of SV programme</p> <p>The Council has not been able to deliver savings as required and the deficit at the end of 2022/23 was £1.53m behind plan and at the end of 2023/24 was £7.06m (cumulative deficit of £22.263m) behind plan. As a result of the deteriorating position in 2023/24 the SV was suspended and the Council was put under enhanced measures. From this point funding was suspended and negotiations with the DfE began.</p> <p>A new management plan has been developed (SEND collaboration). This plan was submitted to the DfE in May 2024 and as yet the Council has not received a response. The revised plan now extends to 2030/31 (two years longer) and no longer breaks even but plans to have a cumulative deficit of £63m (after reflecting the DfE funding) in 2030/31. This is a significant change from the original plan. The level of funding from the DfE remains unchanged.</p>	<p>We have reviewed the Council's arrangements for budgeting including the DSG and ongoing management of the deficit.</p> <p>We have reviewed relevant documentation, held discussions with management and reviewed communication between the Council and DfE</p>	<p>The Council does not have a recovery plan for the £63m residual deficit. As at 31 March 2024 reserves were reported as £12.789 (general fund unearmarked) £73.652 (earmarked), a total of £86.441m. Whilst this is a reasonable level of reserves for the Council, should the statutory override be removed in 2025/26 or not exist in 2030/31, this level of DSG deficit is likely to have a significant impact on the Council's reserves.</p>	<p>The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:</p> <ul style="list-style-type: none"> ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress develop a plan to address the residual deficit (£63m) to bring the Council back in balance, which is expected to exist at the end of the management plan in 2030/31

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers).
In this context, we disclose the following to you:

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

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

Details of fees charged are detailed in Appendix F.

Transparency

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

4. Independence considerations

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

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

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

4. Independence considerations

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits claim	£49,732 – 2022-23 £45,000* – 2023-24	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £45,000 in comparison to the total fee for the audit of £365,617 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management threat	
Certification of Teachers Pension Return	£10,000 – 2022-23 £12,500* – 2023-24	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is 12,500 in comparison to the total fee for the audit of £365,617 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management threat	

*Estimated fee at the time of reporting

These services are consistent with the group's policy on the allotment of non-audit work to your auditors

None of the services provided are subject to contingent fees.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 7 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Testing of useful economic lives identified a number of assets which are fully depreciated but remain on the balance sheet as operational. Management have processes in place to confirm that assets are still operational but this is not formally documented. There is no evidence that management have reviewed disposed assets or those that are still operation to assess whether useful economic lives are appropriate. The gross book value of these is material and there is a risk that the Council are holding assets that they no longer own or that the economic lives applied to the assets are not appropriate.	<p>Management should review the FAR to ensure that only operational assets owned by the Council are included and that economic lives applied are appropriate.</p> <p>Management response</p> <p>We will continue to review the FAR to ensure disposals are duly reflected and ensure useful economic lives are reviewed.</p>
Medium	Management included related parties which were not material and which did not meet the requirements of the Code	<p>Management should ensure that all related parties included within the financial statements meet the requirements of the Code</p> <p>Management response</p> <p>The three organisations that were previously disclosed as related parties in 2023/24 and prior years have now been removed from the Related Parties disclosure note.</p>
Medium	We identified one individual from Finance Team who was granted admin access rights within Civica system to update user names and service lines of individuals in preparation for Midcall project of the Council. The access was only removed when it was raised by the engagement team.	<p>Management should review access rights to ensure that these are appropriate and where not access rights should be corrected accordingly.</p> <p>Management response</p> <p>The admin user's access has been revoked to ensure the security and integrity of our system. The specific scenario was one where for a project an individual needed the access temporarily and was requested from the service area, we were awaiting confirmation that the access was no longer required to remove the access.</p> <p>Immediate action is for Financial Systems to review all user accounts with Admin Access to Civica and ensure the access is appropriate as per the user's role, going forward the mitigation will be to schedule a 6 monthly review of admin accounts. Appropriate change controls are in place that require manager approval.</p>

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	There is no formal approval process for posting journals so finance team members are effectively posting their own journals. All journals above £500k are approved by Senior Finance Manager or group accountants, respectively	<p>Council to consider designing and implementing a formal approval process for posting journals.</p> <p>Management response</p> <p>Over the course of the next 18 months our financial systems team will be implementing an upgraded finance system. As part of the design of the new system the journal authorisation process will be reviewed.</p> <p>Current retrospective checks will remain in place whilst the review is undertaken and timescales of any potential system changes are assessed and evaluated.</p> <p>The Council's Financial Regulations are currently being updated, and will set out the Councils process for posting and approving journals.</p>
	Within the MRP calculation management had assets with a useful economic life beyond the prescribed 50 years. The guidance allows for this where a suitably qualified person has assessed the asset and confirmed that the extended life is appropriate. Whilst management has demonstrated this upon challenge there was no formal recognition of the process prior to audit	<p>Where management have made assumptions outside of the expected parameters full supporting evidence as to the appropriateness of this treatment should be provided</p> <p>Management response</p> <p>We have not used asset lives greater than 50 years since the guidance was updated in 2018.</p> <p>Should there be any assets in the future where a decision is made to allocate a useful life beyond 50 years, the reasons for this will be documented and retained along with the appropriate supporting evidence as required by the guidance.</p>
Medium	Review of access rights within Logotech, the Council's database management system, identified three users who have all administrative rights to all parts of the system. There is no audit record of new users or leavers and therefore it is possible for these individuals to add and remove users and change underlying data. There is a risk that inappropriate adjustments can be made which could have an impact on the financial statements. Review of asset records as part of our testing has not identified any specific issues.	<p>Management should review the access rights of users of feeder systems to ensure that these are appropriate and that records exist and are reviewed showing any changes made to the data</p> <p>Management response</p> <p>The responsibility for system administration of the Logotech Asset Register software and user access will transfer to the Financial Systems team to separate this role from the system users in the Capital Project Finance Team. A protocol will be introduced for processing new users and leavers.</p> <p>All current users will be reviewed with appropriate change controls put in place that require manager approval.</p>
Low	Four notes in the accounts were identified as unnecessary due to their size. When challenged, the client responded that they wished to retain the policies, either to show the movements in year, to protect their referencing or for completeness. A deficiency has been raised for this, relating to over-disclosure from the Council. The notes in question are 17 Assets for Sale, 18 Inventories, 27 Trading Operations and 39 Exceptional Items.	<p>Management should only include material disclosures within the statement of accounts to avoid potential masking of significant information.</p> <p>Management response</p> <p>Consideration will be given to removing these disclosure notes in future years should they continue to be immaterial.</p>

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Bath and North East Somerset Council's 2022/23 financial statements, which resulted in 9 recommendations being reported in our 2022/23 Audit Findings report. We are pleased to report that management have appropriately addressed the majority of our recommendations. We have raised a recommendation in relation to one finding from 2022-23 and work is ongoing for the remaining recommendations. We will report any further findings to management and members.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Our group risk assessment procedures identified that management did produce formal group instructions	Management continue to liaise with Aequus and have considered formal instructions. Considered that sufficient communication and guidance has been provided
✓	<p>Journals</p> <ol style="list-style-type: none"> 1. There is no formal approval process for posting journals so finance team members are effectively posting their own journals. All journals above £500k are approved by Senior Finance Manager or group accountants, respectively 2. We identified one instance of untimely review of a user's access. A temporary user's account was still open despite completion of the project 	<ol style="list-style-type: none"> 1. Testing of journals in 2023-24 has not identified any issues with journal authorisation. However this is an inherent weakness and we have raised a recommendation again in 2023-24 2. Whilst we have identified one user with inappropriate access this has been considered within management override of controls and no issues have been identified
TBC	Our PPE work identified that the live valuers schedule contains minor errors with respect to the last date of valuation of some assets. There is a risk that incorrect date would affect the related PPE note disclosure in the financial statements	We have identified further minor errors but these are below trivial and are expected within the scope of testing. Our work in this area is ongoing and we will report any findings to members
✓	Our audit procedures have revealed that 24 assets within the infrastructure assets have been assigned with UELs that are outside the range reported by the Council, with the majority of them also falling outside the recommended CiPFA range. This was caused by wrong classification into the correct category these assets fall, and has been corrected by management.	We have not identified any classification issues within our testing of investment properties in 2023-24
✓	Not all the investment properties held by the Council's subsidiary company are revalued at year-end. For the year under audit, management revalued 7 out of 34 individual assets. The Code requires that all investment properties are revalued annually as at 31 March, and therefore the Council's policy does not meet the requirement of the code. There is therefore a risk that revaluations are not correctly stated	We note that the Code requires that investment properties are revalued on an annual basis and does not specify that this must be 31 March. We have reviewed management's policy and considered it to be appropriate

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	We observed that the Council and the ICB failed to renew the agreements for Better Care fund but rolled forward the prior year agreements. However, the funding and expenditure for Better Care fund increased without a revision of the rolling agreement	Our work in this area is ongoing. We will report to members any findings on conclusion of our work.
X	The existing policy on disposal of motor vehicles, plant, machinery or IT equipment at the Council is for managers to confirm whether assets are in use or have been disused within their respective departments. Second-checking or verifying a manager's position is usually not the case, before the assets are removed from the asset register	This policy has not been amended and we have again raised a recommendation in regards to fully depreciated assets
✓	We have observed that the land components of two newly acquired PPE have not been determined and recognised separately as required by the Code	All PPE additions have been appropriately recognized in year
✓	We have identified 198 out of a total of 263 investment properties were not revalued at year-end 31 March 2023, but valued at an earlier date (mostly 31 December 2022). This is not in line with the requirements of the CiPFA code.	We note that the Code requires that investment properties are revalued on an annual basis and does not specify that this must be 31 March. We have reviewed management's policy and considered it to be appropriate

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

We have not identified any adjusted misstatements in our work to date.

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p>Revaluation movement recognised in revaluation reserve does not agree with other Notes of SoA. We identified the variance of £3,741k. The revaluation movement recognised in Note 12 needs to be reduced by £3,741k to get the impact of the errors identified corrected.</p> <p>We have also noted the variance of £10,470k when comparing the FAR revaluation reserve amount to SoA Note 24 Revaluation reserve. After Inquiry we noted that this is due to above £3,741k that has not been taken to FAR yet and Pixash - Plant / Building valuation allocation of £6,870k that needs to be corrected in FAR.</p>	Management should ensure that all disclosures accurately reflect the movements reported through revaluation reserves and the FAR.	✓
Note 36 Related Parties. The nature of transactions with AGHL was not disclosed in the note. Inclusion of three related parties were also challenged by the audit team, which the Council agreed to remove.	Management should ensure that related parties are appropriately disclosed and include only relevant organisations and individuals	✓
Note 1.13 Accounting policies for PPE. The accounting policies for depreciation charges do not explicitly state that depreciation starts at the subsequent year of purchase. The Council agreed to amend this in the accounts.	Management should ensure all disclosed accounting policies are appropriate	✓
<p>Note 37. We noted in the MRP calculation that the Council used an estimated useful life beyond 50 years, which is in contrary to the maximum 50-year life provided by the guidance. We calculated the impact in the Council's MRP, had the management used the 50-year useful life. This will be reported as estimation difference.</p> <p>The difference identified amounted to £3,593,197.</p>	Whilst having lives over 50 years is permissible management should ensure that this is full supported to show management's assessment of the appropriateness of the judgement.	✓
Note 36 Related Parties. There are immaterial transactions with various voluntary bodies disclosed. Although not a material misstatement, moving forward, the management should undertake an assessment wherein the accounts would only disclose material transactions to at least one party involved.	Management should ensure that related parties are appropriately disclosed and include only relevant organisations and individuals	✓
A small number of amendments were made to the accounts to enhance clarity for the reader.	<p>Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader.</p> <p>We have shared the areas for presentational amendments and these will be reflected in the revised accounts.</p>	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Corporate 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
Investment properties. The aggregated projected impact of the differences identified from the testing of source data and assumptions used in the valuation exceeds triviality threshold.	(498)	498	(498)	Nil	Not material
PPE: The aggregated projected impact of the differences identified from the testing of source data and assumptions used in the valuation.	[891]	891	(891)	Nil	Not material
Overall impact	£(1,389)	£1,389	£(1,389)		

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

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
Our testing of Land & Building Assets identified that an incorrect floor area has been used for one asset. On revaluation, this resulted in a reduction from £2.464m to £238k	2,225	(2,225)	2,225.	Nil	Not material
Overall impact	£2,225	£(2,225)	£2,225		

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Scale fee	£353,067	£353,067
ISA 315	12,550	12,550
Total audit fees (excluding VAT)	£365,617	£365,617

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Housing Benefit Certification	£45,000	£45,000
Teacher's Pension return certification	£12,500	£12,500
Total non-audit fees (excluding VAT)	£57,500	£57,500*

*Subject to completion of our procedures

Total audit and non-audit fee

(Audit Fee) £365,617	(Non Audit Fee) £53,000
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The fees reconcile to the financial statements.

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

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

