

Audit Findings (ISA 260) Report for Bath and North East Somerset Council

Year ended 31 March 2025

16 September 2025



DRAFT –

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Bath and North East Somerset

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16 September 2025

Dear Members of the Audit Committee

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www.grantthornton.co.uk**Audit Findings for Bath and North East Somerset Council for the 31 March 2025**

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

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

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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Headlines and status of the audit

Headlines

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

Financial statements

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

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

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), 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-September as planned. Our findings are summarised on pages 12 to 34. We have identified 2 adjustments to the financial statements that have resulted in a £3.2m adjustment to the Authority's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Authority's usable reserves.

Audit adjustments are detailed at page 38. We have also raised recommendations for management as a result of our audit work. These are set out at page 42. Our follow up of recommendations from the prior year's audit are detailed at page 44.

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:

- Completion of transaction testing for creditor completeness, other operating expenditure, short term creditors and right of use assets
- Review and agreement of the valuer's report
- Receipt and review of the pension fund auditor letter of assurance
- Final quality control procedures
- 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 unmodified. We anticipate signing your accounts in September 2025.

Headlines

Value for money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness(s) in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 46).

Headlines

Statutory duties

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

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

We have completed the majority of work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- where a local authority also has a pension fund for which the opinion on the financial statements in the pension fund annual report is yet to be issued
- where confirmation has not been received from the NAO that the group audit(Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code; or
- where there is an outstanding objection , or other matter that has come to the auditor’s attention, which the auditor has concluded has no material impact on the presentation of the financial statements or their VFM arrangements work.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

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

Headlines

National context – audit backlog

Government proposals around the backstop

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

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

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

Headlines

Implementation of IFRS 16

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

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

Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

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

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

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

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

Impact on the Authority

Our work in this area is still ongoing and we will consider:

- whether it has had a financial material impact upon the statements
- accounting policies and disclosures are appropriate
- application of judgment and estimation is appropriate
- related internal controls that required updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Group audit

Group audit

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

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

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
Bath and North East Somerset	Yes			Grant Thornton UK	Beth Bowers		No issues have been identified that impact on the group audit
Aequus Construction Ltd	Yes			Bishop Fleming LLP	Nathan Coughlin		<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 April 2025, 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 was one material balance, in relation to revenue which the group auditor has tested</p> <p>For those other 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>
Aequus Development Ltd				Bishop Fleming LLP	Nathan Coughlin		Analytical procedures at a group level have been completed. No issues have been identified
Aequus Holdings Group Ltd				Bishop Fleming LLP	Nathan Coughlin		Analytical procedures at a group level have been completed. No issues have been identified

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

Specific audit procedures designed by the group auditor (specific scope)

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

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

Planned procedures are substantially complete with no significant issues outstanding.

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

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

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 30 April 2025, we determined materiality at the planning stage as £10.62m based on 2.4% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements. Materiality has remained the same as at planning as there has not been a significant change in gross expenditure and no further issues or risks have been identified that would require a reduction in the materiality level.

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

Basis for our determination of materiality

- We have determined materiality at £10.62m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as prior year errors and misstatements and any significant deficiencies identified at planning.
- We have used 2.4% of gross expenditure as the basis for determining materiality.
- We have chosen gross expenditure as an appropriate benchmark as cost of services is the key driver for the Council and other comprehensive income items are generally non-cash items which are not connected to the running of the organisation
- Our percentage benchmark has increased from 1.9% in 2023-24 to 2.4% in 2024-25

Component Performance materiality

- Where audit work on components is being performed using component performance materiality, this has been set at between £7.965m and £4.422m, with the component performance materiality used reflecting the relative risk and size of that component to the group.

Specific materiality

- We have set a lower materiality for senior officer remuneration disclosure of £20k, on the basis of the sensitivity to public interest and the reader of the accounts.

Reporting threshold

- We will report to you all misstatements identified in excess of £531k, in addition to any matters considered to be qualitatively material.

Our approach to materiality

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

	Group (£)	Authority (£)	Qualitative factors considered
Materiality for the financial statements	10,720,000	10,620,000	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 2.4% was an appropriate rate to apply to the expenditure benchmark as there are limited misstatements and errors identified in prior years. Further, we are satisfied that the Council has robust appropriate systems in place to manage and monitor financial transactions.
Performance materiality	7,965,000	7,965,000	Our performance materiality has been set as 75% of our overall materiality. We are satisfied that 75% is appropriate as there is little evidence of misstatements in prior years or systemic weaknesses in processes that may give rise to errors and issues in the current financial year.
Specific materiality for Senior officer remuneration disclosure (Authority only)		20,000	Senior Officer Remuneration is considered sensitive and of particular interest to the reader of the accounts.
Reporting threshold	531,000	531,000	Calculated as a percentage of headline materiality and in accordance with auditing standards

Overview of significant risks identified

Overview of audit risks

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

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

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

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	High	●
Improper revenue recognition	Rebutted	↔	✗	Medium	●
Risk of fraud related to expenditure recognition	Rebutted	↔	✗	Medium	●
Valuation of land and buildings	Significant	↔	✗	High	●
Valuation of investment property	Significant	↔	✗	High	●
Valuation of net pension liability	Significant	↔	✗	High	●

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

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

Significant risks

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p>	Council	<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>Our testing of journals has identified the following issues</p> <ul style="list-style-type: none"> 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 identified two users who we determined should not have journals access. One is in a senior management position, and one moved from a finance role to a non finance role within the Council in 2023 There is a lack of audit trail for the review of capital journals which are above £500k. We confirmed these are reviewed but there is no documentation to evidence this <p>We have designed specific tests to address these issues, 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.</p> <p>Our work is complete and no further issues have been identified</p>

Significant risks

Risk identified	Relates to	Audit procedures performed	Key observations
Improper revenue recognition Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue.	Council	We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. Where we have rebutted the risk of fraud in revenue recognition for revenue streams this is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.	We have noted no material adjustments or findings in relation to improper revenue recognition.
Risk of fraud related to expenditure recognition PAF Practice Note 10 Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure	Group & Council	We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk for either the group or the Council. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.	We have noted no material adjustments or findings in relation to risk of fraud related to expenditure recognition.

Significant risks

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Valuation of land and buildings</p> <p>The Council 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 (£327.791m in the Council balance sheet at 31/03/25) 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.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	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. Evaluated assets valued at a date prior to year end to ensure there has been no material movement between the date of valuation and the year end 	<p>Our testing requires a consideration of the assumptions used by the valuer and whether these are appropriate to ensure that values are not materially misstated. We have compared these to indices and other sources of information and identified a variance of £3.2m. As this is not material, we are satisfied that the assumptions used are appropriate and in line with our expectation.</p> <p>There was a delay in the valuer providing management with the valuation report and upon receipt it was noted that there were a number of variances. Within land and buildings, the valuers identified one asset that had previously been combined with another asset that they considered should be valued separately. The overall impact is an understatement of £4.148m. This has been adjusted by management and is included in audit adjustments on pg 38</p> <p>Our work in this area is ongoing, and we will report any further findings to management and members</p>

Significant risks

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Valuation of investment property</p> <p>The Council revalue its material investment properties on an annual basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£235.445m in the Council balance sheet at 31/03/25) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	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 Council's asset register 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>Testing of calculations used by the valuer identified one error for one asset where the value had been incorrectly calculated. This has resulted in a £1.86m overstatement which has been corrected by management – see pg 38 for adjustment</p> <p>The delay in the valuers report as outlined on pg 20 led to an understatement in investment properties of £586k.</p> <p>Testing of rental income identified 2023-24 revenue that was not accrued in that year and was subsequently recognised in 2024-25. This has led to an overstatement and has been reported on pg 40</p> <p>Our testing is complete, and we have not identified any further issues.</p>

Significant risks

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Valuation of net pension 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 and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£52.881m in the Council's balance sheet at 31/03/2025) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</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. <p>We will:</p> <ul style="list-style-type: none"> • obtain 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>We have yet to receive the letter of assurance from the pension fund auditor and, therefore, our work in this area is ongoing. We have not identified any issues in the work completed to date and will report any findings to management and members.</p>

Other findings

Other areas impacting the audit

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

Issue	Commentary	
<p>Cybersecurity</p> <p>From our IT audit review we note that the Authority has not updated the following policies in a timely manner (bracket shows due date for review).</p> <ul style="list-style-type: none">– Acceptable use policy (Sept 2023)– Information security policy (June 2022)– DP and IG policy (September 2023) <p>We also noted that the data classification and retention policy is marked as draft. We cannot, therefore, be assured that it has been approved by senior management and consider that there is no current policy for this control</p>	<p>Based on statistics released by the Department for Science, Innovation and Technology in April 2025, 43% of businesses report having experienced a cyber breach or attack in the last 12 months.</p> <p>High profile cyberattacks undermine trust in an organisation and can shatter hard won reputations. Organisations are also required under GDPR regulation to have appropriate safeguards over personal data they hold and can face large fines if an avoidable breach occurs.</p> <p>The majority of cyberattacks reported are unsophisticated and could be avoided through implementation of simple cybersecurity measures.</p>	<p>Auditor view</p> <p>We recommend that management proactively assess the Authority’s level of cyber risk exposure and put in place appropriate policies/safeguards as required in the areas highlighted.</p> <p>Management response</p> <p>The review of those policies that are overdue will be completed during 2025/26, with any updates considered by senior management where necessary. This will also include those policies with review dates during 2025/26.</p>

Other areas impacting the audit

Issue	Commentary	
IT Control deficiencies Testing undertaken as part of the IT audit review identified the following deficiencies:	User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	Auditor view The Council should develop formal user access management procedures to ensure activities are consistently performed, logged and monitored.
Lack of controls over granting new user access within Agresso During the audit, it was noted that a new access request for the Chief Financial Officer, was submitted by the Personal Assistant on behalf of the Chief Executive. We understand that the access for the CFO would be required, it may have been verbally provided by the CEO to their PA, however, there should have been a formal approval prior to granting the access within Agresso	An account with administrative access has the ability to both assign additional access rights to users, and to make changes to a system. Those changes may be appropriate, such as updates to the system, or damaging, such as opening a backdoor for an attacker to access the system. Therefore, every additional administrator causes linear-to-exponential growth in risk. As part of the financial statements audit we have undertaken specific targeted testing in relation to those team members with admin rights and have designed journal testing to ensure these have been reviewed. This testing did not identify any issues.	Where new user access requests are initiated, Council should have a process in place to record, appropriate approval and action the request based on user role, team and access level. Management response BANES does have a formal user access procedure when a new user is requested to have Agresso access. The request is actioned via Service Now, and if additional specific access is required (such as Salary access or AP invoice processing) then the relevant approver is contacted to ensure that this access is granted. In this instance the PA of the CEO has been delegated responsibility by the CEO, however, going forward if the request was made by the PA, additional approval will be requested from the CEO.
Duplicate accounts with privileged level access identified on the Agresso Database During the audit, we observed that the 7 members of the IT Team each have two accounts with administrator privileges for accessing the Agresso Database. We noted that the alerts related to unauthorised access attempts are sent to the Financials System Team. The monitoring of activities performed by the identified 7 privileged users were not proactively reviewed.		Auditor view Management should ensure that end users only have one privileged account per application. This privileged account should be in the user's name rather than a generic name. Management response IT are in the process of migrating IT staff to having separate IT Admin accounts so that their normal accounts do not carry elevated privileges. This is a work in progress which is why there are duplicate accounts currently as the transition is not yet complete.

Other areas impacting the audit

Issue	Commentary	
<p>Senior Officer Remuneration</p> <p>Testing identified the following issues in relation to senior officer remuneration:</p> <ul style="list-style-type: none"> – The Executive Director – resources role was filled by an interim member of staff between January and March 2025 and this was not disclosed within the financial statements – Agreement of salaries and pension costs for the year identified an error in the pension contribution for one senior manager. This had been disclosed as £5,653 whereas the actual figure is £23,175. This is a variance of £17,522 which is above performance materiality for this disclosure and has, therefore, been amended. – Testing identified two employees who have been incorrectly disclosed within the employer’s emoluments table. This has necessitated a change within the bandings to accurately reflect the annual salary of the two employees 	<p>Senior officer remuneration and employee emoluments are considered to be of specific interest to readers of the accounts and are therefore often subject to greater scrutiny as a result.</p> <p>It is important that the Authority ensure that these are as accurate as possible in order that the reader of the accounts has a full understanding of the cost to the Authority for the financial year.</p> <p>As these are areas of specific interest we have applied a lower materiality to ensure that these are as accurate as possible.</p>	<p>Auditor view</p> <p>Management should ensure there is a more robust review in place to confirm that figures disclosed within the statement of accounts agree to the information held within the payroll system and to the requirements of the Code.</p> <p>Management response</p> <p>The checking procedure for the disclosure note will be reviewed to identify any potential improvements to mitigate the risk of inaccuracies.</p>

Other areas impacting the audit

Issue	Commentary	
<p>Heritage Assets</p> <p>The Authority have undertaken a review of heritage assets in the financial year and identified a number of adjustments. Included within this is the Victoria Art Gallery artefacts which have seen an increase in value of £3.492m.</p> <p>We have tested how this increase has been calculated and have been informed that the revaluation was undertaken by the Collections manager and the Museum Assistant. We are satisfied that they have sufficient knowledge and competencies to undertake the valuation and have undertaken further checks against auction house results to gain assurance that the valuation are not misstated.</p> <p>However, we have not been able to verify the process as no documentation has been retained that demonstrates how the valuation has been arrived at.</p>	<p>Heritage assets represents a material balance within the financial statements. Valuation of assets is an estimate and is considered at higher risk of misstatement.</p> <p>It is therefore vital that, where a revaluation exercise has been undertaken, or any disclosure involving the use of an estimate, management should ensure that supporting documentation is retained to support the conclusion reached. This provides primary evidence to the audit and allows a conclusion to be reached on possible indications of management bias or identify any misstatements.</p> <p>We have undertaken alternative testing to gain assurance that the balance is not misstated.</p>	<p>Auditor view</p> <p>Where management disclose financial statement entries using estimates they should ensure that all supporting documentation is retained and made available as part of the audit process.</p> <p>Management response</p> <p>Future valuation estimates prepared will retain supporting documentation</p>
<p>Historical data</p> <p>As part of our work undertaken to confirm the accuracy of reliefs granted within Council Tax we identified one case where the relief was applied to a claim from 1994. Management were unable to provide evidence to support the relief and therefore we were unable to confirm its accuracy and validity.</p> <p>In line with legal requirements organisations are required to maintain supporting documentation for seven years. We recognise that the Council will undertake data cleansing but note that maintaining evidence is important.</p> <p>The case was reviewed in 2009 and has remained active from this point.</p>	<p>Retention of data and supporting evidence is vital in providing an understanding of transactions and entries within the financial statements. Failure to support entries leads to further testing and consideration on the accuracy of the disclosures within the financial statements</p>	<p>Auditor view</p> <p>Management should consider that where disclosures in the accounts rely on historical data that sufficient review is in place to ensure that appropriate documentation is retained to support these disclosures.</p> <p>Management response</p> <p>Agreed</p>

Other findings – key judgements and estimates


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

Assessment:

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

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings £327.791m at 31 March 2025	<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 and Wilks Head & Eve to complete the valuation of properties as at either 31 December 2024 or 31 March 2025 on a five yearly cyclical basis. Approximately 20% of total assets were revalued during 2024/25.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2024 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 £327.791m, a net increase of £24.288m from 2023/24 (£303.503m).</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>Testing identified non material variances and, therefore, we consider management’s estimate to be appropriate</p>	<p>● Green</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of investment property £235.445m at 31 March 2025	<p>The Council has engaged Wilks Head & Eve to complete the valuation of properties as at 31 March 2025. 100% of assets were revalued during 2024/25.</p> <p>The total year end valuation of investment property was £235.445m, a net decrease of £6.571m from 2023/24 (£242.016m).</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>We have raised queries with the external valuer, specifically around calculation of valuations, and have received responses to those queries. These have been reviewed and are considered appropriate</p>	 Green

Other findings – key judgements and estimates

















Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
Valuation of net pension liability £52.881m at 31 March 2025	<p>The Council's net pension liability at 31 March 2025 is £52.881m (PY £92.413m) 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> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.8%</td><td>5.7% – 5.9%</td><td>Reasonable</td></tr> <tr> <td>Pension increase rate</td><td>2.7%</td><td>2.7% - 2.8%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>4.1%</td><td>3.75% - 4.1%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>23.2 / 22</td><td>21.1 – 23.2 / 20.8 – 22</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>26.1 / 24.1</td><td>25.2 – 26.1/ 23.5 – 24.3</td><td>Reasonable</td></tr> </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 statement with the actuarial reports We have gained assurance over the reasonableness of the Council's share of the LGPS pension assets 	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.7% – 5.9%	Reasonable	Pension increase rate	2.7%	2.7% - 2.8%	Reasonable	Salary growth	4.1%	3.75% - 4.1%	Reasonable	Life expectancy – Males currently aged 45/65	23.2 / 22	21.1 – 23.2 / 20.8 – 22	Reasonable	Life expectancy – Females currently aged 45/65	26.1 / 24.1	25.2 – 26.1/ 23.5 – 24.3	Reasonable	<div>●</div> Green
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.8%	5.7% – 5.9%	Reasonable																								
Pension increase rate	2.7%	2.7% - 2.8%	Reasonable																								
Salary growth	4.1%	3.75% - 4.1%	Reasonable																								
Life expectancy – Males currently aged 45/65	23.2 / 22	21.1 – 23.2 / 20.8 – 22	Reasonable																								
Life expectancy – Females currently aged 45/65	26.1 / 24.1	25.2 – 26.1/ 23.5 – 24.3	Reasonable																								

Other findings – key judgements and estimates





Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision £11.563m in 2024/25	<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 £11.563m, a net increase of £1.379m from 2023-24. This represents a 3% charge against the CFR</p>	<p>We have undertaken the following work</p> <ul style="list-style-type: none"> Assessed whether the MRP has been calculated in line with the statutory guidance Considered whether the Authority's policy on MRP complies with statutory guidance. Assessed whether any changes to the Authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full Council Considered the reasonableness of the increase/decrease in MRP charge <p>New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following.</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> <p>Within our testing we have identified three assets that have a borrowing horizon of greater than the 50 years prescribed by the MHCLG. Appropriate advice has been taken that this is appropriate and calculation using 50 years gives a variance of £3.9m. We are therefore satisfied that the MRP charge is materially accurate.</p>	<div>●</div> Green

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. 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	Detailed ITGC assessment (design effectiveness)	 Amber	 Amber	 Green	 Green	N/A
Altair	Detailed ITGC assessment (design effectiveness)	 Green	 Green	 Green	 Green	Altair is used for pension calculations based on information within iTrent. We have considered the underlying assumptions included within the pension liability
Civica	Detailed ITGC assessment (design effectiveness)	 Green	 Green	 Green	 Green	N/A
Active Directory	Detailed ITGC assessment (design effectiveness)	 Green	 Green	 Black	 Black	N/A

Assessment:

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

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the 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.
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,
Disclosures	<p>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 the following issues:</p> <ul style="list-style-type: none"> • We noted that management had included assets with a useful economic life beyond the prescribed 50 years within the minimum revenue provision calculation. • We identified one asset, which had become operational in year, had not been depreciated, in line with the Authority's accounting policies and, therefore, a charge of £470k for the year should have been incurred
Audit evidence and explanations	<p>All information and explanations requested from management was provided.</p> <p>We were provided with all requests in a timely manner and in line with expectations</p>

Other responsibilities

Issue	Commentary
Going concern	<p data-bbox="346 277 2397 419">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="346 439 1984 468">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="346 488 2397 758" 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 Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="346 823 2397 966">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="346 986 1819 1162" style="list-style-type: none"> • the nature of the Authority and the environment in which it operates • the Authority’s financial reporting framework • the Authority’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. <p data-bbox="346 1182 1921 1210">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="346 1230 2099 1305" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified; and • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

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 2024/25 audit of Bath and North East Somerset Council in the audit report, due to the 2023-24 audit certificate remaining open as a result of an objection to the final statements being received and considered and the required completion of the WGA return.</p>

Audit adjustments

Audit adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Investment property: Verification of asset valuations identified that there was an error within the calculation leading to an overstatement of the asset value	1,862	(1,862)	1,862	(1,862)
Land Building: On receipt of the valuer’s report it was identified by management that an additional asset had been included that was not previously included within the valuations schedule. This has resulted in an understatement of the land and buildings balance	(4,418)	4,418	(4,418)	4,418
Investment property: As per Land and buildings above the late receipt of the valuer’s report has resulted in an understatement	(568)	568	(568)	568
Overall impact	(3,124)	3,124	(3,124)	3,124

Audit adjustments

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Cash flow statement	Management has transposed the balances for long-term loans and capital grants repaid. The draft accounts showed £388k for long-term loans and £1,696k for capital grants repaid and these need to be swapped. There is no impact on the overall statement.	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓
Throughout	A number of immaterial accounting policies and disclosures have been included in the financial statements. These should be removed to avoid obscuring material information within the financial statements.	X

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
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.	1,733	(1,733)	1,733	(1,733)
PPE: The aggregated projected impact of the differences identified from the testing of source data and assumptions used in the valuation.	623	(623)	623	(623) Revaluation reserve
Grants received in advance testing identified one transaction that had been incorrectly accrued within the financial year.	1,219	(1,219)	1,219	(1,219)
Investment property rental income testing identified that rental income related to 2023-24 was not accrued in that year and was recognised in 2024-25	(1,020)	1,020	(1,020)	1,020
Overall impact of current year unadjusted misstatements	2,555	(2,555)	2,555	(2,555)

Impact of unadjusted misstatements in the prior year

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

Detail	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 of prior year unadjusted misstatements	(1,389)	1,389	(1,389)	0	Not material
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	1,166	(1,166)	1,166	0	Not material

Action plan

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

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Medium</p>	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 next 12 months the financial systems team will be implementing an upgraded financial system. As part of the design of the new system the journal authorisation process is being reviewed.</p> <p>Current and retrospective checks will remain in place whilst the financial system is being upgraded.</p>
<p>●</p> <p>Medium</p>	Review of non depreciated assets identified one asset that had become operational in the financial year but which had not been depreciated in line with the Council's policy. This resulted in understatement in the depreciation charge of £470k and there is a risk a larger charge could be omitted	<p>Management should ensure that depreciation is applied appropriately in line with the Council's policy to ensure the accuracy of charges to the CIES</p> <p>Management response</p> <p>We will specifically review non-depreciating assets in future</p>
<p>●</p> <p>Medium</p>	Testing of a number of balances has identified errors within the accruals process as reported on pg 40. There is a risk that accruals are not reported accurately and that balances are misstated	<p>Management should ensure that the accrual process is robustly and accurately implemented</p> <p>Management response</p> <p>The process for ensuring that year-end accruals are included in the appropriate year will be reviewed, and the importance of providing accurate information, including estimates where appropriate, will be emphasised to service managers.</p>

Key

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

Action plan

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Medium</p>	<p>Testing of journals identified two users who should not have had the ability to post journals. One was a senior manager and one moved from a finance role to a non finance role within the authority in 2023. There is a risk that fraudulent journals could be posted</p>	<p>Management should ensure regular checks are undertaken to identify users with inappropriate user access either as a result of seniority or as a result of a change in circumstances to their employment</p> <p>Management response</p> <p>Journal input access is requested on the 'user access request form' or 'variation of access' request. If the user sits outside of Finance an approval is requested. The Financial Systems team administer the access that has been approved. Management propose that a 6 monthly check is completed with Finance to review the Journal Input role and list of users with access.</p> <p>Going forward the council intends to implement another audit recommendation of approving Journals the are registered in the system; therefore, only approved journals will be posted negating the main risk identified to holding this access role.</p>
<p>●</p> <p>Low</p>	<p>Two 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 15 Intangible assets and 22 Provisions for liabilities.</p>	<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>

Key

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

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2023/24 financial statements, which resulted in 7 recommendations being reported in our 2023/24 Audit Findings Report. We have provided an update on progress below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	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.	We have held a number of conversations with management to discuss the issue previously communicated. This has included the reason for the issue being identified and the implications and the steps that management can take to address the recommendation. Our work in this area is ongoing. We will report to members any findings on conclusion of our work.
✓	Management included related parties which were not material and which did not meet the requirements of the Code	Testing of related parties has not identified any issues and we are satisfied this recommendation has been addressed
✓	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.	Testing within journals identified that one staff member has finance and admin access. We have designed a specific test and noted that the staff member has not posted and journals in the financial year
✓	Within the MRP calculation management had assets with a useful economic life (UEL) 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	Our work confirmed that the three assets with a UEL over 50 years remain. As per our consideration at pg 31 we are satisfied that an appropriate assessment has been undertaken and that the MRP charge is not materially misstated.

Assessment

✓ Action completed

X Not yet addressed

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Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	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	Testing of journals in 2024-25 identified one issues in regard to insufficient evidence being retained to show capital journals over £500k are being reviewed. This is an inherent weakness, and we have raised a recommendation again in 2024-25
✓	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.	No such issues for Logotech have been identified from the 2024-25 audit although a similar issue has been identified in relation to Agresso and a recommendation has been raised on page 26
partial	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.	Testing identified that the four notes outlined in the prior year have been removed. Review in 2024-25 identified two further non-material notes and we have raised a recommendation.

Assessment

- ✓ Action completed
- X Not yet addressed

Value for Money arrangements

Value for Money arrangements

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

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

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



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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

In undertaking this work we have identified one significant weaknesses in arrangements in relation to the Authority's arrangements for managing the ongoing Dedicated Schools Grant deficit.

Independence considerations

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, there are no independence matters that we would like to report to you.

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

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

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

Fees and non-audit services

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

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

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Bath and North East Somerset Council The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that we are satisfied that the level of fee is not significant in relation to the fee for the audit or to Grant Thornton UK LLP’s turnover.

Audit fees	£
Audit of Authority	393,600
Total	393,600

Fees and non-audit services

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	86,130*	46,552**	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 £132,682 in comparison to the total fee for the audit of £393,600 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	25,000	12,500**	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £37,500 in comparison to the total fee for the audit of £393,600 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	
Total	111,130	59,052		

*In progress

** Estimate

Fees and non-audit services

Total audit and non-audit fee

Audit fee – 393,600	Non-audit fee - £170,182
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The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- fees per financial statements £495,000
- Certification work noted post year end £59,000

Total fees per above £564,000





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

Appendices

A. Communication of audit matters with those charged with governance

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

A. Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

Our team and communications

Grant Thornton core team



Beth Bower
Key Audit Partner

- Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers
- Key contact for senior management and Audit and Governance Committee
- Overall quality assurance



David Johnson
Audit Manager

- Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers
- Audit planning
- Resource management
- Performance management reporting



Carmen Ng
Audit In-charge

- Key audit contact responsible for the day to day
- Management and delivery of audit work
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Annual client service review	<ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• The Audit Findings Report• Auditor’s Annual Report	<ul style="list-style-type: none">• Weekly meetings to discuss progress during Planning and Fieldwork stage• Communication of Query log and Sample tracker• Communication of issues log	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion		<ul style="list-style-type: none">• Communication of audit issues as they arise	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit In Charge and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.



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