

# **Audit Findings (ISA 260) Report for Torbay Council**

Year ended 31 March 2025

5 February 2026



## Members of the Audit Committee of Torbay Council

Torbay Council

Town Hall

Castle Circus

Torquay

TQ1 3DR

5 February 2026

Dear Members of the Audit Committee,

### Audit Findings for Torbay Council for the year ended 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 \(grantthornton.co.uk\)](https://grantthornton.co.uk/transparency-report-2024-.pdf).

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

Julie Masci

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 Torbay Council (the 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

## Financial statements

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

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

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

As of this report's date, we have concluded several areas of our audit work, detailing the findings in the body of this report. For work not yet concluded, we have highlighted the work undertaken to date, and any findings or recommendations.

Key areas where we have been unable to conclude due to late or inconclusive audit evidence include:

- Property, Plant and equipment – where assets were not subject to a formal valuation during the year, but where market-based evidence has indicated there has been significant movements in these assets since their last formal valuation
- Debtors – where insufficient evidence has been provided to support the carrying values reported within the financial statements
- Leases – relating to outstanding information around the categorisation of operating and finance leases.

Further details are set out on pages 58 and 59 of this report.

In addition, a number of areas of audit work are concluded but are still subject to final quality review.

**continued**

# Headlines

Our findings to date are summarised on pages 21 to 29. We have identified no adjustments to the financial statements that would impact the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed at page 46 to 48. During the course of our work, we have also raised 7 recommendations for management, which are set out at page 52 to 54, with follow up of our prior year's audit recommendations detailed at page 54.

Owing to the challenges of undertaking an audit where the previous years audit was subject to backstop-related disclaimed audit opinions, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 27 February 2026. In 2023/24 we issued a disclaimed opinion on opening balances, in-year movements in the net pension liability and property, plant and equipment, the closing balance of property, plant and equipment and the closing reserves balance reported in the financial statements for the year ended 31 March 2024. We were therefore unable to obtain sufficient appropriate evidence over the associated corresponding figures for the year ended 31 March 2025 for the same reason. Meaning that in 2024/25 we do not have assurance over the closing property, plant and equipment balance and reserves as at 31 March 2025.

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.

# 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 Value for Money work and we set out below the key findings from our commentary on the Council's arrangements:

Financial sustainability - The Council has demonstrated good financial grip in 2024/25 and has been able to set a balanced budget for 2025/26 without the need for drawdown of reserves. The Council places a clear focus on financial sustainability as evidenced by its reserves strategy and its response to areas of financial variance and mitigation of financial risk. No significant weaknesses in arrangements are identified, but three improvement recommendations are made in relation to arrangements for Dedicated Schools Grant, the identification of savings and the management of a key financial risk.

Governance - We conclude there are sound governance arrangements in place within the Council's control environment and effective decision making. However, we have identified a significant weakness with regards to the Council's finance team capacity and its arrangements for preparation of the financial statements. This was first raised in our prior year findings and continues to present a challenge for the Council. We have also raised an improvement recommendation relating to procurement waivers.

Improving economy, efficiency and effectiveness - The Council proactively seeks out opportunities to support continuous service improvement and it has effective corporate performance management and reporting arrangements in place. Whilst many services across the Council show evidence of good arrangements, a recent inspection of SEND services highlighted systemic weaknesses within this service. We have concluded a significant weakness in these arrangements for SEND in light of these findings and the subsequent improvement notice issued to the Council.

Whilst recognising a number of actions taken by the Council over the course of the year to make progress in these areas, due to the significant weaknesses identified, we are unable to confirm we are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

# Headlines

## Statutory duties

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

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

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

## Significant matters

We commenced our audit planning on the basis that the Council would provide a complete set of draft financial statements by the end of September 2025. During the year-end process it became clear that a significant amount of work was required to improve and update the accounts and supporting working papers, given the difficulties experienced with the 2023/24 audit. In response, the Council brought in additional interim finance expertise early in the process to strengthen capacity and address the quality issues identified in the previous year.

The interim officers identified a number of areas across the financial statements and supporting schedules that required re-working, including updated reconciliations, revised disclosures, and corrections to inconsistencies in the working papers. The draft accounts were provided to us on 3 October 2025, and while this was slightly later than planned, we were able to begin our audit work using this initial version. However, several disclosures and supporting schedules required further development, which made the initial stages of the audit more complex.

A key area of challenge related to the introduction of IFRS 16, a new lease accounting standard, which the Council was implementing for the first time in 2024/25. Throughout the planning stage we held discussions with officers emphasising the importance of investing sufficient time and resources to ensure the completeness and accuracy of the new IFRS 16 calculations, given their significance to the financial statements. The first draft of the accounts did not include the required IFRS 16 disclosures. When the disclosures were subsequently added in a later iteration, they were not correct and required further review. The Council therefore had to commission additional external support to assist with reviewing the IFRS 16 transitional working papers and calculations, with the full and updated information only being provided to us on 28 January 2026. This significantly compressed the available audit window to complete the required procedures.

continued.

# Headlines

Throughout October 2025 and after the audit fieldwork had commenced, the Council continued to refine the accounts. We received three iterations of the Statement of accounts as officers completed the necessary improvements before the accounts were published for public inspection on the Council's website on 14 November 2025. We recognise the considerable effort made to enhance the quality and completeness of the financial statements; however, the phased delivery of updated drafts did increase the level of re-work and coordination required as the audit progressed.

To support a more streamlined audit process in future years, the Council will need to continue strengthening the robustness and readiness of its financial reporting arrangements to ensure that draft statements and supporting working papers are complete and audit-ready by the statutory deadline of 30 June. During the course of the audit, several factors contributed to delays and additional work requirements. We received several versions of the financial statements throughout the audit process. Some versions contained sections that were incomplete or missing, which resulted in repeated reviews. This created inefficiencies and prolonged the audit timeline.

Reconciliations were at times difficult to complete due to figures being presented in rounded millions. This limited the level of precision required for detailed audit testing and made it more challenging to trace certain balances back to underlying supporting records.

Key members of the finance team supporting the audit were new to the council, this meant they were not always familiar with how certain figures had been derived in the prior year. As a result, adjustments and changes to figures were required partway through the audit as the team gained further understanding of the underlying data. This contributed to additional iterations of working papers and supporting schedules.

Despite the challenges experienced throughout the audit process, we would like to acknowledge the considerable effort made by the Council to strengthen the quality of its financial reporting during 2024/25. The finance team worked constructively with us throughout the audit, dedicating significant time and resources to improving the accuracy, completeness and presentation of the accounts. The Council's decision to bring in additional interim finance expertise, alongside the responsiveness of officers in addressing issues as they arose, demonstrates a clear commitment to enhancing the robustness of its financial statements. While further improvements are still required to ensure draft accounts and supporting working papers are fully audit-ready by the statutory deadline, the progress made this year provides a strong foundation for continued development.

# 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 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

## National context – local audit recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop legislation.

As a result, for 2024/25:

- we have limited assurance over the opening balances for 2024/25
- limited assurance over the closing reserves balance also due to the uncertainty over their opening amount.

Our aim for the 2024/25 audit has been to continue with rebuilding assurance, therefore our focus has been on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances.

Where there are areas of the 2024-25 audit of which we have been unable to conclude from the outstanding list on page 6 and 7, this will impact the recovery period in which the Council can rebuild assurance over its financial statements.

On 5 June 2025 the National Audit Office (NAO) published its “Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06” for auditors which sets out special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. The key messages outlined within this guidance include rebuilding assurance through:

- tailored risk assessment procedures for individual audit entities, including assessments over risk of material misstatements of opening balance figures and reserves;
- designing and performing specific substantive procedures, such as proof-in-total approach;
- special considerations for fraudulent reporting, property, plant & equipment, and pension related balances.

We will discuss with you our strategy for rebuilding assurance, in the light of this year’s audit, as part of our planning for 2025/26.

# 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

Final working papers supporting the transition were not provided until 28 January 2026. This significantly compressed the time available for audit procedures. Nonetheless, we prioritised this work to ensure that sufficient assurance could be obtained over the transitional adjustments and related closing balances before the backstop date.

The draft accounts did not include the required disclosures, and the council was required to undertake further work to address these gaps. These updates were completed.

Implementation of IFRS 16 has not had a significant financial impact on the statement of accounts.

In the draft accounts there were seven operating lease which had been recognised appropriately under IFRS 16. The following adjustments were made to the Authority’s accounts following the implementation of IFRS 16:

Addition of £713k Right of Use assets and £631k Lease Liabilities. Following audit challenge a further 4 leases were identified that should have been recognised under IFRS16. These would be a £2,303k addition to Right of Use assets.

Accounting policies and disclosures have been updated to reflect the requirements of the new standard.

# 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
Torbay Council	Yes			Grant Thornton UK	Julie Masci (KAP)	●	Our work is largely complete, however, some areas of audit work remain outstanding due to delayed receipt of audit evidence. For more details on the current status of work outstanding, please refer to the 'Status of Audit' on page 6 and 7.
SWISCo	Yes			Bishop Fleming	Nathan Coughlin (RI)	●	The only material balances are Expenditure and Pension Liability. These balances have been tested by the component auditors and we have reviewed the component auditor working papers.
TEDC Group	No			Bishop Fleming	Nathan Coughlin (RI)	●	The only material balances Property, Plant & Equipment and Cash balances . These balances have been tested by the component auditors and we have reviewed the component auditor working papers.
Torbay Education Limited	No			Bishop Fleming	Nathan Coughlin (RI)	●	Analytical procedures at a group level have been completed. No issues have been identified.

## Key

Scope 1	Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)
Scope 2	Specific audit procedures designed by the group auditor (specific scope), but undertaken by the component auditor
Scope 3	Specific audit procedures designed by a component auditor (specific scope)
Out of 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.

# Involvement in the work of component auditors

Scope	Component auditors involved	Summary of involvement	Changes compared to planned involvement
Scope 3	Bishop Fleming	<p>The Group Engagement team issued Group Instructions to the component auditors which included risk areas and requested the auditor perform audit procedures on the areas mentioned on the previous slide.</p> <p>The audit team will review all documentation in respect of these areas, including the underlying workpapers.</p>	
Out of scope	N/A – work performed by group team		



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

# Materiality

# Our approach to materiality

As communicated in our Audit Plan in April 2025, we determined materiality at the planning stage as £7.6m based on 2.1% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements and individual financial statements. We have updated materiality due to the significant movement in expenditure and the transfer of TEDC services into the Council this year.

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

## Basis for our determination of materiality

- We have determined group materiality at £8.3m 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 the control environment.
- We have used 2.1% of gross expenditure as the basis for determining materiality.
- 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.
- Our percentage benchmark has increased from 1.7% in 2023/24 to 2.1% in 2024/25 following an updated to Grant Thornton internal guidance and a reassessment of risk.
- The materiality communicated in our Audit Plan was based on the cost of services reported in the 2023/24 financial statements. This has been updated upon receipt of the draft 2024/25 financial statements, which has resulted in an increase in the overall materiality.

## Council Performance materiality

- Where audit work on components is being performed using component materiality, this has set at between £2,967k (TEDC Group and SWISCo) and £5,070k (Torbay Council) 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 £390k, 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.

	<b>Group (£)</b>	<b>Authority (£)</b>	<b>TEDC and SWISCo (£)</b>	<b>Qualitative factors considered</b>
Materiality for the financial statements	8,300,000	7,800,000	4,565,000	Financial statement materiality is based on 2.1% of 2024/25 draft gross expenditure. Component materialities are based on a percentage of group materiality reflecting the risk and size of the component to the group.
Performance materiality	5,400,000	5,070,000	2,967,000	Performance materiality is based on 65% of financial statement materiality.
Specific materiality for Senior Officer remuneration disclosures	20,000	20,000		We consider the disclosure of senior officers' remuneration to be a sensitive disclosure and therefore have applied a lower materiality.
Reporting threshold	415,000	390,000	228,000	Triviality is set at 5% of financial statement materiality.

# **Overview of significant and other risks identified**

# Overview of audit risks

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

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

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

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	In progress
The revenue cycle includes fraudulent transactions (rebutted)	Rebutted	↔	✓	Low	●
The expenditure cycle includes fraudulent transactions	Rebutted	↔	✓	Low	In progress
Valuation of land and buildings	Significant	↔	✗	High	In progress
Valuation of investment properties	Significant	↔	✗	High	●
Valuation of the pension fund net liability	Significant	↔	✗	Low	●
Quality of accounts presentation	Other	↔	✗	n/a	●
Implementation of IFRS16	Other	↔	✗	Medium	In progress

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

● Not likely to result in material adjustment or change to disclosures within the financial statements

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

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

# Significant risks

Risk identified	Audit procedures performed	Key observations
<b>Management override of controls</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design and implementation of management controls over journals;</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> </ul>	<p>Our work is complete subject to quality reviews. To date we have not identified any issues in respect of management override of controls.</p> <p>For all journals reviewed we have concluded that they were appropriate transactions.</p> <p>However, we have noted one deficiency in the control environment:</p> <p>The council group together whole departments accruals at year end and post these as one journal.</p>

# Significant risks

Risk identified	Audit procedures performed	Key observations
The revenue cycle includes fraudulent transactions	It was reported in our audit plan that we had determined there was no significant risk of material misstatement arising from improper revenue recognition. We consider our rebuttal of revenue recognition to remain appropriate.	Throughout the audit we have continually reviewed this assessment and our judgement still stands, therefore we do not consider this to be a significant risk of for the Authority.
Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue.		

# Significant risks

## Risk identified

The expenditure cycle includes fraudulent transactions

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.

## Audit procedures performed

It was reported in our audit plan that we had determined there was no significant risk of material misstatement arising from improper expenditure recognition. We consider our rebuttal of expenditure recognition to remain appropriate.

## Key observations

Throughout the audit we have continually reviewed this assessment and our judgement still stands, therefore we do not consider this to be a significant risk of for the Authority.

# Significant risks

## Risk identified

### Valuation of land and buildings assets

The Council revalues its land and buildings on a rolling basis of not less than every five years to ensure that the carrying value is not materially different from the current value (fair value for surplus assets) at the financial statements date. This valuation represents a significant estimate by management due to the size of the balances involved (£297.6m in the Authority's Balance Sheet at 31 March 2025) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current (fair) value as at 31 March 2025. We have therefore identified the valuation of the closing balance of land and buildings as a significant risk.

## Audit procedures performed

We have:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- Evaluated the competence, capabilities and objectivity of the valuation expert
- Written to the valuer to confirm the basis on which the valuation was carried out
- 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 Authority'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 (fair value for surplus assets) at year-end.

## Key observations

Our work in this area is still in progress.

The audit opinion for 2022/23 is disclaimed, this means that as no audit work was carried out on the opening balances of land and buildings and surplus assets, we are unable to gain assurance that they are not materially misstated.

The Council undertakes valuations of all its land and buildings and surplus assets in a five-year cycle. This means that assurance can be regained and this will likely be possible at the end of the revaluation cycle, currently planned for 2027/28, accelerating this programme would enable assurance to be gained sooner.

In 2024/25 we have not been able to conclude our work where assets were not subject to a formal valuation during the year. Market-based evidence has indicated there has been significant movements in these assets since their last formal valuation and the valuer has confirmed that there is movement in some of these assets. However, due to time constraints imposed by the statutory audit backstop, we are unable to conclude our work in this area.

# Significant risks

Risk identified	Audit procedures performed	Key observations
<b>Valuation of investment property</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>Evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>Written to the valuer to confirm the basis on which the valuation was carried out</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and</li> <li>tested revaluations made during the year to see if they had been input correctly into the Authority's asset register.</li> </ul>	<p>From our work we have identified that the council do not hold floor plans for their investment properties and instead rely on valuation certificates from their purchase. We recommend the council obtain measurable floor plans for their investment properties.</p> <p>The audit opinion for 2022/23 is disclaimed, this means that as no audit work was carried out on the opening investment property assets balance, we were unable to gain assurance that they are not materially misstated.</p> <p>The Council undertakes valuations annually. However, due to the impact of the disclaimed opinion on subsequent years, the earliest it could potentially be removed is 2025/26. For the 2023/24 financial statements we could not provide assurance over the opening investment property balance and the in year movements on investment properties. Therefore this lack of assurance carries forward to the 2024/25 opening balances.</p>

# Significant risks

Risk identified	Audit procedures performed	Key observations
<b>Valuation of pension fund net liability</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>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 evaluate the design of the associated controls;</li> <li>evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>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;</li> <li>undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>obtained assurances from the auditor of the Devon 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.</li> </ul>	<p>Management had considered the impact of IFRIC14 and included an asset ceiling adjustment in the draft financial statements. We reviewed the calculations undertaken by the Actuary.</p> <p>We have also reviewed the IAS19 letter received from the Auditor of the Devon Pension Fund, they identified an understatement of the pension funds asset figures which has been reported as an unadjusted misstatement.</p> <p>Our work is completed subject to quality reviews.</p>

# Other risks

Risk identified	Audit procedures performed	Key observations
<b>Quality of Accounts Preparation</b>	<p>Throughout our audit work we will consider the quality of the accounts provided.</p>	<p>During the course of the audit, we received several iterations of the financial statements. Some versions contained incomplete sections or missing disclosures, which required repeated review and additional clarification.</p> <p>Reconciliations were also challenging to complete as figures were presented in rounded millions. This reduced the level of precision available for detailed audit testing and made it more difficult to trace balances back to supporting records.</p> <p>In several instances, the working papers provided did not reconcile to the figures included in the accounts, resulting in further follow-up and revision.</p> <p>While we acknowledge that work has been undertaken to improve the quality of the accounts, the scale and nature of the issues arising from previous years mean that fully embedding these improvements will take time. Continued development of team knowledge and processes will be important to ensure that the necessary controls and documentation are consistently in place.</p>

# Other risks

Risk identified	Audit procedures performed	Key observations
<b>Implementation of IFRS16</b> <p>IFRS 16 Leases is now mandatory for all Local Government authorities from 1 April 2024. This represents a significant change in accounting standards, and we have therefore recognised the risk of misstatement in implementation of this standard.</p>	<p>Reviewed the steps taken by management to identify leases to be disclosed under IFRS16</p> <ul style="list-style-type: none"> <li>– Determined no sample of leases is needed as the values involved are not material</li> <li>– Determined no sample of peppercorn right of use asset valuations is needed as the value is not material</li> <li>– We have reviewed the councils listing of leases to determine if they should be classified as a lease under IFRS16</li> </ul>	<p>Implementation of IFRS 16 has not had a significant financial impact on the statement of accounts.</p> <p>In the draft accounts there were seven operating lease which had been recognised appropriately under IFRS 16. The following adjustments were made to the Authority's accounts following the implementation of IFRS 16:</p> <p>Addition of £713k Right of Use assets and £631k Lease Liabilities. Following audit challenge a further 4 leases were identified that should have been recognised under IFRS16. These would be a £2,303k addition to Right of Use assets.</p> <p>Accounting policies and disclosures have been updated to reflect the requirements of the new standard.</p>

# Other findings

# Other findings – significant matters

Issue	Commentary
Significant events or transactions that occurred during the year	None noted. Not required.
Business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement	None noted. Not required.
Concerns about management's consultations with other accountants on accounting or auditing matters	None noted. Not required.
Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	None noted. Not required.

# Other findings – significant matters

Issue	Commentary	
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	None noted.	Not required.
Other matters that are significant to the oversight of the financial reporting process	None noted.	Not required.
Prior year adjustments identified	In our work on the disclosure relating to disclosure for employees receiving more than £50,000 remuneration, we identified that the calculations within this note incorrectly included employers pension contributions.	The 2023/24 and 2024/25 notes have been appropriately updated to remove the employers pension contribution amounts.

# 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
<b>Valuation of land and buildings</b> £297.6m at 31 March 2025	<p>Other land and buildings comprises specialised assets such as schools 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 Authority has engaged its internal valuations expert to complete the valuation of properties on a five yearly cyclical basis. The majority of assets were revalued as at 1 April 2024.</p> <p>The total year end valuation of land and buildings was £297.6m, a net increase/decrease of £16m from 2023/24 (£281.6m).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Reconciled the valuation report to the Fixed Asset Register</li> <li>• Reviewed the valuation report to identify any changes in valuation basis from the prior year.</li> <li>• Performed review over indices to compare the valuation movement to the expected movement using Gerald Eve reports</li> <li>• Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• Evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>• Written to the valuer to confirm the basis on which the valuation was carried out</li> </ul>	No overall conclusion formed this year, as our opinion has been disclaimed.

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p><b>Valuation of investment property</b> £163.7m at 31 March 2025</p>	<p>The Council revalue its investment property on an annual basis to ensure investment properties are held at fair value on the 31 March 2025 and that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>The Council has engaged JLL, as an external expert, to complete the 2024/25 valuation of ten out of region investment properties.</p> <p>The Council engaged its internal valuer to undertake the valuation of the remaining investment properties.</p> <p>The total year end valuation of investment property was £163.7m, a net decrease of £0.1m from 2023/24 (£163.8m).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Reconciled the valuation report to the Fixed Asset Register</li> <li>Reviewed the valuation report to identify any changes in valuation basis from the prior year.</li> <li>Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>Evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>Written to the valuer to confirm the basis on which the valuation was carried out</li> </ul>	<p>No overall conclusion formed this year, as our opinion has been disclaimed.</p>

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability	The Authority's net pension liability at 31 March 2025 is £4.7m (PY £5.4m) comprising the Devon Pension Fund Local Government Pension Scheme and unfunded defined benefit pension scheme obligations.	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>Assessed management's expert to ensure they are suitably qualified and independent;</li> <li>Assessed the actuary's approach to confirm reasonableness of approach;</li> <li>used an auditor's expert (PwC) to assess the methods and assumptions used by management's actuary (see table below for consideration of assumptions);</li> <li>gained assurance over the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>assessed the impact of any changes to valuation method;</li> <li>assessed the reasonableness of decrease in estimate; and</li> <li>assessed the adequacy of disclosure of estimate in the financial statements</li> </ul> <p>Our work did not identify any material issues in relation to this estimate</p>	 <b>Green</b>

# 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.

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		
FIMS	ITGC assessment (design, implementation effectiveness only)  Understanding of link into feeder systems	●  Green	●  Green	●  Green	●  Green	●  Green	Management override of controls (significant risk)
ResourceLink from Zellis	ITGC assessment (design and implementation effectiveness only)	●  Green	●  Green	●  Green	●  Green	●  Green	n/a
Real Asset Management	ITGC assessment (design and implementation effectiveness only)	●  Green	●  Green	●  Green	●  Green	●  Green	Property, Plant & Equipment and Investment Property Valuations (significant risk)

## 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	<ul style="list-style-type: none"><li>• 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.</li></ul>
Matters in relation to related parties	<ul style="list-style-type: none"><li>• We are not aware of any related parties or related party transactions which have not been disclosed.</li></ul>
Matters in relation to laws and regulations	<ul style="list-style-type: none"><li>• We are not aware of any significant incidences of non-compliance of laws and regulations.</li></ul>
Written representations	<ul style="list-style-type: none"><li>• A letter of representation will be requested from the council.</li></ul>

# Other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations and Significant difficulties	<p>During the course of the audit, we received several iterations of the financial statements. Some versions contained incomplete sections or missing disclosures, which required repeated review and additional clarification.</p> <p>Reconciliations were also challenging to complete as figures were presented in rounded millions. This reduced the level of precision available for detailed audit testing and made it more difficult to trace balances back to supporting records.</p> <p>In several instances, the working papers provided did not reconcile to the figures included in the accounts, resulting in further follow-up and revision.</p> <p>While we acknowledge that work has been undertaken to improve the quality of the accounts, the scale and nature of the issues arising from previous years mean that fully embedding these improvements will take time. Continued development of team knowledge and processes will be important to ensure that the necessary controls and documentation are consistently in place.</p>
Other matters	None noted.

# Other responsibilities

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 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>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"><li>• The use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li><li>• 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.</li></ul>

(continued)

# Other responsibilities

Issue	Commentary
Going concern	<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 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 style="list-style-type: none"><li>• the nature of the Authority and the environment in which it operates</li><li>• the Authority's financial reporting framework</li><li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li><li>• management's going concern assessment.</li></ul> <p>However, as this year's audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"><li>• a material uncertainty related to going concern has not been identified</li><li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li></ul>

# 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 and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.</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"> <li>if the Annual Governance Statement (AGS) 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,</li> <li>if we have applied any of our statutory powers or duties.</li> <li>where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters, subject to review of the final AGS. Except we have reported significant weakness in our value for money work as detailed on page 57.</p>

# Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	We intend to certify the closure of the 2024/25 audit of Torbay Council Authority in the audit report when we have concluded our audit testing.

# **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

We have not identified any adjusted misstatements.

# 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?
Pension Liability	<p>The Pension Fund Auditor identified an understatement of assets reported to the actuary of £17,551,000. Apportioning this to Torbay Council's asset share (6.51% as per the IAS19 Report), Torbay Council's extrapolated error is £1,142,570, which is immaterial.</p> <p>Due to the asset ceiling, the net impact of this on the liability is nil.</p>	X
Pension Liability	<p>In our work on pensions we identified that there was no reference to the Virgin media judgement. Updates have been made to include this within the pensions note.</p>	✓
Investment Property Hierarchy	<p>The investment property hierarchy was incorrectly stated in the accounts. Should be disclosed as 2 assets valued using level 3 not 2.</p>	✓
Expenditure and Funding Analysis	<p>A £4.4m adjustment to Children, Finance and Place lines of EFA due to an error in original working papers.</p>	✓
Remuneration Disclosures	<p>The current year and prior year remuneration disclosure on number of employees receiving more than £50,000 remuneration has been updated to ensure consistency with CIPFA Code requirements and supporting documentation.</p>	✓
Infrastructure Assets	<p>We identified that the PPE note included infrastructure assets for 2024/25. This was not inline with the statutory override on infrastructure assets that the council took in the 2023/24 accounts. The note has been updated to reflect this.</p>	✓
Property, Plant and Equipment	<p>In our work on PPE we identified that Land at Torre Marine valued at 975k has been included as an addition and then reclassified to Assets Under Construction. We have confirmed that this should have been shown as an additions to Assets Under Construction. No impact on balance sheet, presentational only.</p>	✓

# 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?
Asset useful lives	In our work on depreciation we identified that the councils accounts do not detail the useful expected lives that asset classes are depreciated over.	✓
Narrative Report	We identified that employee numbers were incorrectly disclosed as 1,240 in draft financial statements, per the payroll data this should be 1,053.	✓
Throughout	Presentational changes to ensure the financial statements are inline with CIPFA Code 2024/25	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓
Throughout	A number of inconsistencies between disclosures have been identified throughout the financial statements	✓

# 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	Balance Sheet £'000	Impact on total net expenditure £'000		Impact on general fund £'000
	£'000		£'000	£'000	
In our testing we identified interest relating to 2023/24 and received in 24/25 was not accrued for in 2023/24. The 2024/25 income is therefore overstated.	Dr - 779	Nil	Dr - 779	Nil	
<b>Overall impact of current year unadjusted misstatements</b>	<b>779</b>	<b>0</b>	<b>779</b>	<b>0</b>	

# 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	Balance Sheet	Impact on total net expenditure	Impact on general fund	Reason for not adjusting
	£'000	£'000	£'000	£'000	
Late depreciation of newly completed or acquired assets	Nil	(309)	Nil	309	Not material
Extrapolation of errors identified in revaluations of L&B	Nil	(1,800)	Nil	Nil	Not material
SW Devon Waste Partnership Profit Accrual for 23/24	(773)	Nil	Nil	Nil	Not material
Overall impact of prior year unadjusted misstatements	(773)	(2,109)	0	309	-
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	(773)	(2,109)	0	309	-

# Audit adjustments (GROUP)

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	Balance Sheet £'000	Impact on total net expenditure £'000		Impact on general fund £'000
	£'000		£'000	£'000	
Intercompany debtor and creditor balances with TEDC Group were incorrectly calculated and TC debtor with SWISCo excluded from intercompany adjustments	0	ST Creditors 8,500 ST Debtors (8,500)	0	0	0
<b>SWISCo Audit Adjustments</b>					
Deferred Tax not disclosed in draft financial statements.	Taxation & Non-Specific Grant income 9	ST Creditors (9)	9	9	9
Pension Interest moved from other finance income to actuarial gains on defined benefit pension scheme	Other Finance Income (123) Other Comprehensive Income 123	0	123	123	123
<b>TEL Audit Adjustments</b>					
<b>Overall impact</b>		9 (9)	132	132	132

# Audit adjustments (GROUP)

## Impact of adjusted misstatements

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
<b>TEL Audit Adjustments</b>				
There were inconsistencies between the Balance Sheet, CIES and Reserves disclosed in the draft TEL accounts. These were updated in the final audited accounts, and the council have updated the group financial statements for these adjustments.	Place Expenditure (17) Remeasurement of net defined pension liability (42)	Cash 15 ST Creditors 2 Net Defined Pension Liability 3	(17)	Usable Reserves (20)
<b>Overall impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,174</b>

# 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
<span data-bbox="148 332 181 357">●</span> <b>Medium</b>	<p>When processing the year end accrual journals, the Council consolidate multiple transactions from across many council departments into a small number of large journal entries for posting. This is not best practice and introduces complexities for reviewing individual transactions.</p>	<p>We recommend that the council disaggregate their year end department journals into smaller batches in future to facilitate a clearer audit trail.</p> <p><b>Management response</b></p> <p>Agreed, we will disaggregate year-end departmental journals into smaller batches to improve audit trail visibility.</p>
<span data-bbox="148 606 181 630">●</span> <b>Medium</b>	<p>The Council processes a number of manual adjustments to mappings in the trial balance to ensure the CIES is accurately reflected.</p>	<p>We recommend these mappings are updated in within the FIMS financial system rather than being manually adjusted outside of FIMS to facilitate a clearer audit trail and minimise risk of manual errors.</p> <p><b>Management response</b></p> <p>Agreed, these have been updated and will ensure clear mapping from FIMS.</p>
<span data-bbox="148 851 181 875">●</span> <b>Medium</b>	<p>The Council do not hold floor plans for their investment properties and instead rely on valuation certificates from their purchase.</p>	<p>We recommend the council obtain measurable floor plans for their investment properties.</p> <p><b>Management response</b></p> <p>The assets were acquired in recent years and the acquisition process involved an independent RICS Red Book valuation being carried out with floor areas contained. In addition, those floor areas are restated on marketing particulars, within reports on title and other professional documentation associated with the acquisition.</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

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
<span data-bbox="189 354 225 375">●</span> <b>Medium</b>	<p>The Council currently applies a de-minimis threshold of £10,000 for year-end accruals. During our testing of transactions around year-end, we identified several items below this threshold which, when considered in aggregate, indicate that the current limit may be set too high. Although we have completed additional audit work to gain assurance that there is no material misstatement for 2024/25, the threshold presents a potential risk for future years.</p>	<p>We recommend that the Council reviews the appropriateness of the £10,000 de-minimis threshold ahead of the next financial year. This review should consider both the volume and value of transactions typically processed around year-end, as well as the cumulative impact of unaccrued items.</p>
<span data-bbox="189 757 225 779">●</span> <b>Medium</b>	<p>During our review of assets transferred from TEDC, we identified inconsistencies in the accounting treatment applied. In several cases, the treatment adopted does not align with the approach set out in the agreed briefing note. Additionally, some assets have revaluation dates that precede the transfer date, yet the associated revaluation amounts have been recognised by the Council within the revaluation reserve. This creates uncertainty regarding the correct cut-off and recognition of valuation movements. The amounts involved are trivial.</p>	<p>As transfers will continue beyond 2024/25 we recommend that future transfers are considered in detail to ensure they are being treated appropriately in the accounts.</p> <p><b>Management response</b></p> <p>Agreed.</p>

# 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
● Low	During our review of asset records, we noted instances where assets had been recorded as external works with a nil land value, despite the valuation indicating that the asset should be treated as land. While the financial impact of this misclassification is trivial for the current year, it indicates a weakness in the asset classification and valuation application process.	<p>We recommend that management should ensure that future valuations appropriately reflect the correct asset classification, and that land components are recognised where required.</p> <p><b>Management response</b> Agreed.</p>
● Low	The council prepare their accounts to the nearest £100,000. This has caused significant rounding errors in the primary statements to ensure the statements balance.	<p>We recommend the council prepare their accounts to the nearest £1,000 as is common with other councils of a similar size.</p> <p><b>Management response</b> Agreed, Statements and all working papers to be produced at this level.</p>

# 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 are pleased to report that management have implemented 4 of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	<p><b>Weaknesses in Financial Procedures and Controls</b></p> <p>During our audit, we observed that the financial statement review and journal review controls failed to detect several errors and inconsistencies between the general ledger and the published accounts for the financial years 2022/23 and 2023/24.</p> <p>These issues were attributed to multiple weaknesses, including the absence of robust account closedown procedures, which resulted in transactions being recorded in accounting periods for which the accounts had already been published.</p> <p>Additionally, there was a deficiency in the financial statement review controls, preventing the identification of these errors both before and after the accounts were published for the affected years.</p> <p>As a result, significant and numerous adjustments were necessary to reconcile the published accounts for 2022/23 and 2023/24 with the general ledger.</p>	<p>Whilst we did not identify these specific issues in 2024/25 there have still been issues in the processes and controls in place in 2024/25.</p>
✓	<p><b>Review of PFI Models and Indexation</b></p> <p>As part of our audit processes, we reviewed the PFI models used to prepare the PFI disclosures in the accounts and noted that the models' indexation has not been updated for some time, resulting in no indexed figures for Unitary Charge payments. Given the recent changes in inflation levels, we expect that amounts representing payments for future years should be indexed to reflect the current inflation rate.</p> <p>The lack of proper indexation and consideration of current inflation rates could significantly impact contingent rents and future payment calculations.</p>	<p>Models were updated by Arlingclose in 2024/25.</p>

## Assessment

- ✓ Action completed
- ✗ Not yet addressed

# Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<b>Officer remuneration (&amp; payroll costs)</b> <p>As part of our work for officer remuneration and payroll expenditure, we identified that whilst a monthly payroll reconciliation process is in place, these are not performed sufficiently. As part of our review of the year-end reconciliation between FIMS (accounting system) and the payroll system, additional work was necessary to understand the differences between the amounts recorded in the financial statements and the year-end reports generated from the payroll system.</p> <p>It is important that the Council prepares a thorough reconciliation to ensure that the amounts reported in the financial statements are accurately supported against the underlying payroll records.</p>	Appropriate reconciliations have been undertaken in 2024/25.
✓	<b>Consolidation adjustments – valuation of subsidiary assets</b> <p>As part of our audit, we noted that none of the housing properties of Torvista (circa £6m) have not been revalued since their completion dates in 2021 and have been carried at their historical cost in the Company's accounts. Due to the nature of these assets, we would have expected them to be revalued as part of PPE before consolidation. We performed a movement assessment and noted immaterial movement of the assets between the audit period and their completion periods. Additionally, a subsequent revaluation performed by the Company's valuers indicated that there has not been any material movement in the assets' values.</p>	The asset has been valued in 2024/25.

# Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<b>Journal users</b> <p>As part of our Journals work, we have identified a number of users with access to FIMS (accounting system) and the ability to post manual journal entries.</p> <p>We identified that the majority of these users did not actually post manual entries in the year and therefore this suggests such individuals do not require this level of access.</p> <p>While these entries would still go through the normal review process, there is still a control risk of unauthorised journals, with individuals being able to post entries that do not fall within the scope of their job role.</p>	This recommendation remains in 2024/25 as there are still number of users with the ability to post journals who don't post journals.
✓	<b>Communicating IAS 19 issues with the Actuary</b> <p>We observed that the Council did not communicate the accounting treatment of the prior year's company surplus to the actuary. Consequently, the presentation of the opening balance of plan assets differed between the accounts and the IAS 19 report.</p>	This has been resolved in 2024/25.
X	<b>Depreciation of assets</b> <p>According to IAS 16 and the CIPFA Code, an asset should be depreciated when it becomes available for use. Currently, the Council is depreciating additions in the subsequent year without considering whether the asset is available for use in the current year.</p>	The Council is still depreciating additions in the subsequent year without considering whether the asset is available for use in the current year.

# Status of audit testing 2024/25

The below table details the areas we have not been able to gain assurance over

Primary Statement								
Balance Sheet								
Financial Statement Line Item	Status 24/25	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments	
Property Plant and Equipment (PPE) – Closing Balance	Red	2024/25: unknown 2023/24: unknown 2022/23: unknown	N/A	N/A	N/A	N/A	<p>During our work on the PPE closing balances, we selected a sample of assets that had been revalued in-year and obtained sufficient and appropriate audit evidence to confirm these assets were not materially misstated.</p> <p>However, we have not been able to satisfy over the assets that were not revalued in-year. The Council was unable to provide us with adequate evidence to demonstrate that there was not a material change in the carrying value of these assets.</p>	

## Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude
- [Green] We were able to test the balances and conclude for 24/25 and we did not identify any significant issues

# Status of audit testing 2024/25

Primary Statement							
Balance Sheet							
Financial Statement Line Item	Status 24/25	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Debtors		2024/25: unknown 2023/24: no 2022/23: unknown	17	9		8	Testing of debtor balances identified issues with the classification between short-term and long-term debtors, as several items had not been appropriately split. In addition, the Council could not provide adequate records to support the nature and treatment of certain loan-related balances, limiting our ability to confirm that these debtor amounts were correctly recorded.
Leases		2024/25: unknown 2023/24: unknown 2022/23: unknown	19	6	5	8	Testing of lease arrangements identified ongoing issues with the classification between operating and finance leases. The Council was initially unable to clearly evidence the basis for the classifications applied. Although they have since undertaken a full review of all lease agreements and concluded that both the current and prior year lease disclosures are materially misstated, the timing of this conclusion means we have been unable to perform the additional audit work required before the statutory backstop date.

# **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 30<sup>th</sup> November each year from 2024-25. Our draft AAR was shared with management on 24 November. Our draft AAR accompanies this audit findings report.

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 2 significant weaknesses in arrangements.

Our detailed findings in this area were set out in the Interim Auditor's Annual Report, which will be presented alongside our audit findings report.

We have not used our statutory powers in 2024/25.

# Independence considerations

# Independence considerations

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

<b>Matter</b>	<b>Conclusions</b>
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).

# Independence considerations

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 January 2026, 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.

<b>Audit fees</b>	<b>£</b>
Audit of Authority – Scale Fee	340,484
Property Plant and Equipment	18,770
Leases	6,950
IFRS 16	4,825
Journals	11,475
Quality Issues	6,840
General Delays in audit process	28,610
<b>Total</b>	<b>417,954</b>

# Fees and non-audit services

## Audit-related non-audit services

Service	2023/24	2024/25	Threats	Safeguards applied
	£	£ Identified		
Certification of Housing Benefits Subsidy claim	27,910	28,565	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 £29k in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	27,910	28,565		

# Fees and non-audit services

## Total audit and non-audit fee 2024/25

(Audit fee – Scale Fee) £340,484

(Non-audit fee) 28,565

(Proposed additional fees) £77,470

The above fees are exclusive of VAT and out of pocket expenses.

The fees agree to the financial statements.

This covers all services provided by us and our network to the group, 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		●

## B. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report.



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