



Audit Findings (ISA 260) Report for Sevenoaks District Council

Year ended 31 March 2025

10 February 2026



Audit Committee

Sevenoaks District Council
Council Offices
Argyle Road Sevenoaks Kent
TN13 1HG

10 February 2026

Dear members of the Audit Committee

Grant Thornton UK LLP

8 Finsbury Circus
London
EC2M 7EA

+44 20 7383 5100

www.grantthornton.co.uk

Audit Findings for Sevenoaks District 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 the 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://www.grantthornton.co.uk/transparency-report-2024-).

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.

Parris Williams

Director
For Grant Thornton UK LLP

Chartered Accountants

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

Financial statements

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

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

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

Our audit work commenced in July 2025 with the objective of selecting samples for the agreed areas in scope. We then continued with our final audit procedures from October to December 2025, in line with the original timelines, which were subsequently extended into January 2026 by agreement with management. This work was primarily conducted remotely, with occasional visits to the Council's office as agreed with management.

This report follows our November 2025 meeting, where we presented the Audit Progress Report and highlighted the efforts and resources invested this year, informed by lessons learned from the prior year and the wash-up meeting for the 2023/24 audit. These efforts included:

- 1) Grant Thornton delivering two training sessions in May and June 2025 for the finance team, focusing on addressing gaps in working papers and clarifying expectations.
- 2) Maintaining regular dialogue with the Head of Finance throughout the year including explaining the expectations for 24/25.
- 3) Selecting samples for key areas as agreed with the management during July 2025, when the finance team had more capacity to help management with its competing priorities between the audit and budget-setting process in October 2025.

We have found management to be engaging and collaborative throughout the period. However, despite management's willingness and ambition to improve, these efforts have not yet delivered sufficient tangible improvements to the quality of the accounts, processes and working papers under pinning the accounts and capacity to service the audit. This was due mainly due to two matters:

1) System and processes

In order to produce auditable listings, there is a lot of manual intervention by your finance team to transform and reconcile listings. This means it takes a lot longer both for management and our audit team to sample and test the transactions needed to obtain assurance. While we have noted improvements in certain areas, such as housing benefits, payroll and pension liabilities, helping us gain assurance more efficiently, the majority of areas still require considerable enhancement to be auditable.

(continued overleaf)...

Headlines (continued)

Financial statements (continued)

2) Skills and capacity of the finance team

The finance team continues to face capacity constraints. Following the departure of the previous Head of Finance, the Senior Principal Accountant was promoted to Head of Finance. To support the preparation of draft accounts, a temporary accountant with significant experience in annual accounts was appointed from March to July 2025. Since then, the Senior Principal Accountant position remained vacant until filled recently in December 2025, thus requiring the Head of Finance to perform dual roles, which has materially impacted financial reporting.

This lack of capacity has delayed key processes. For example, in the current year, the working papers for implementation of the new lease accounting standard (IFRS 16) were significantly delayed, with the initial assessment only provided in November 2025, however as the assessment was incomplete, we had to backstop this area in the current year as explained in section 4 of the report. Additionally, the in-year transaction listings for example for fees and charges income and operating expenditure are not cleansed that can enable the selection of samples in those areas as explained in section 5 of the report.

Furthermore, progress on previously agreed recommendations has been limited. Since last year, three medium-level and one-low level recommendation have been addressed. Most issues relating to working papers and listings have recurred, with some improvements noted (see section 8). A notable example is the absence of a reconciled Fixed Asset Register (FAR), which remains under reconciliation due to discrepancies from the CIPFA Asset Module implementation and the complexity of managing assets valued at approximately £115.4 million (including property, plant, equipment, and investment properties for the Council). Management continues to struggle to complete this reconciliation alongside other responsibilities.

We also conducted a quality review of the financial statements and shared our comments with management in the first week of October 2025. Responses were received in January 2026. Our review highlighted a deterioration in the overall quality of the financial statements, including several arithmetical and referencing errors, which required significant revisions to the final version.

(continued overleaf).....

Headlines (continued)

Financial statements (continued)

As a result of our current year audit, we have raised some further control recommendations for management in section 8 in addition to providing an update on the control recommendations identified in the previous year. We have raised three new control recommendations this year, and 11 of the 15 prior-year recommendations remain unresolved and therefore continue to be relevant for the current year. We have also identified adjustments to the financial statements detailed in section 8. Additionally, we have identified areas where we were unable to draw conclusion if material misstatement exist due to time constraints as detailed in section 8.

At the date of this report, we have concluded our audit work subject to the receipt of signed financial statements, management representation letter and responses to subsequent events inquiries. A comprehensive overview of our work and conclusions for all areas within our scope can be found in section 4 and 5 of the report. Our work is complete,

Due to time constraints ahead of backstop deadline, we could not verify, if management was able to adjust the agreed misstatements as explained in section 8 of the report.

We are unable to conclude that the other information to be published with the financial statements (including the Annual Governance Statement (AGS)) and Narrative Report are consistent with our knowledge of your organisation and with the financial statements. This is due to the fact that sufficient audit work has not been undertaken in these areas to reach a conclusion.

Audit Opinion – Disclaimer of opinion:

Unfortunately, due to the challenges associated as described above, we have been unable to attain full assurance this year. It has not been feasible for us to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 27 February 2026. In addition to the limitation of no assurance over opening balances, the issues we have identified as part of our audit, as explained in section 4 and 5 of the report, lead us to the conclusion that we will be unable to form an opinion on the financial statements.

Therefore, **our audit opinion will be a disclaimer of opinion.** Additionally, the audit opinion will also refer to significant weakness in relation to Council's close down and financial reporting as explained in our Auditors Annual Report (AAR) presented alongside this report.

In the prior year's audit report, the Basis for Qualified Opinion paragraph included an additional qualification relating to the Group Comprehensive Income and Expenditure Statement, which was not compliant with section 3.4.2.39(a) of the CIPFA Code 2023/24, as it did not present the required gross expenditure and gross income columns. In the current year, management have agreed to include these gross figures, and therefore this additional qualification has been removed from the current year's audit report. However, due to time constraints ahead of the backstop deadline, we have been unable to verify the accuracy of the revised statements.

We would like to extend our gratitude to the management for their assistance during the current year audit.

Headlines (continued)

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 in the Authority's arrangements for governance and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The summary of our findings are set out in the value for money arrangements section of the report (section 9).

As an overview of the work completed:

Financial sustainability - No significant weaknesses in arrangements identified and no improvement recommendations made. Prior year improvement recommendation has been fully implemented.

Governance - We have raised a new significant weakness this year in relation to Council's year-end close down and financial reporting processes. This arises from the issues outlined on pages 7 and 8 concerning system and process deficiencies, as well as the skills and capacity constraints within the finance team.

Our key recommendation for the significant weakness is that the Council must urgently strengthen its close-down and financial reporting arrangements by addressing skills and capacity gaps within the finance team. In addition, all outstanding internal control recommendations raised in our 2023-24 Audit Findings Report should be prioritised and fully implemented to ensure the Authority complies with accounting standards and readiness for accelerated statutory deadlines for the publication of audited accounts.

The Council must address this significant weakness in advance of preparing its 2025/26 financial statements in March 2026. Failure to do so would require us to consider using our auditors' powers including issuing a statutory recommendation.

In relation to the two prior year significant weaknesses in the Council's control environment and in internal audit resource and capacity, those have been downgraded to an improvement recommendations. Of the remaining prior-year improvement recommendations, three have been closed and one has been superseded by the significant weakness relating to financial reporting.

Improving economy, efficiency and effectiveness - No significant weaknesses in arrangements identified and no improvement recommendations made. Of the three prior-year improvement recommendations, two have been fully implemented and the third has been downgraded to an Insight.

Headlines (continued)

Statutory duties

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

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

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

We have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation is received from the NAO that the group audit for Whole of Government Accounts 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.

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

The limitations arising from the absence of assurance on opening balances and the challenges identified during the previous and current year audit process will prevent us from issuing an unqualified opinion on the 2024-25 financial statements. This significant matter will result in issuing a disclaimer audit opinion for 2024-25. We have detailed our assessment for areas in section 4 and 5 of the report.

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 (continued)

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 no assurance over the opening balances for 2024/25 and we have no 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 as at the year end.

Unfortunately, due to the challenges associated as described on previous pages, we have been unable to attain full assurance this year. It has not been feasible for us to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 27 February 2026. In addition to the limitation of no assurance over opening balances, the issues we have identified as part of our audit, as explained in section 4 and 5 of the report, lead us to the conclusion that we will be unable to form an opinion on the financial statements. Therefore, our anticipated audit opinion will be a disclaimer of opinion for 24/25 audit.

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 (continued)

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

In our final audit plan presented in November 2025, we communicated to you, IFRS 16 as an area of significant risk particularly in terms of completeness of lease liabilities and completeness and valuation of right of use assets as at year end for the lease contracts where council is a lessee.

Please refer to section 4 of the report where we have documented our findings and the detailed conclusion.

Unfortunately, the working papers for implementation of the new lease accounting standard (IFRS 16) were significantly delayed, with the initial assessment only provided in November 2025, however as the assessment was incomplete, we had to backstop this area in the current year therefore we have not been able to obtain assurance in this area.

02 Group audit

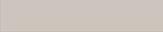
Group audit

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

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

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
Sevenoaks District Council	Yes			Grant Thornton UK	Parris Williams	●	Refer to section 4 and 5 of the report for the areas included in the audit scope and our related conclusions. As this represents the largest component within scope of the group audit and we are unable to obtain assurance on this component, the group audit opinion will therefore be disclaimed.
Quercus 7 Limited	Yes			Grant Thornton UK	Parris Williams	●	For the current year, the following areas were in scope for audit for specific audit procedures:
Quercus Housing Limited	Yes			Grant Thornton UK	Parris Williams	●	<ul style="list-style-type: none"> - Valuation of investment property and associated movements - Significant Risk - Cash and cash equivalents - Profit and Loss Reserve <p>We have completed our work on cash and cash equivalents and no issues were noted. However, we were unable to obtain assurance over the valuation of investment property and associated movements, as well as the profit and loss reserve. Consequently, we are unable to obtain assurance on these areas of the group audit. Please refer Section 4 and 5 of the report for details.</p>

Key

	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 therefore the audit opinion is subject to backstop.

03 Materiality

Our approach to materiality

As communicated in our Indicative Audit Plan dated 10 April 2025, we determined materiality at the planning stage as £1.335m (PY: £1m) for the Group and £1.328m (PY: £0.95m) for the Council, which equates to 2% (PY: 1.5%) of your prior year gross operating costs. At year-end, we have reconsidered the materiality based on the draft consolidated financial statements for current year and determined it to be £1.303m (PY: £1m) for the Group and £1.296m (PY: £0.95m) for the Council, which equates to 2% (PY: 1.5%) of your current year gross operating costs, which was communicated via Final Audit Plan dated 26 November 2025.

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

Basis for our determination of materiality

- We have determined materiality to be **£1.303m** (PY: £1m) for the Group and **£1.296m** (PY: £0.95m) for the Council, which equates to 2% (PY: 1.5%) of your prior year gross operating costs.
- The increase in materiality level is driven by our firm's revised guidance for determining materiality for local government clients, which has raised the allowable materiality thresholds up to 2.5% (PY: 2%) for the lowest risk entities. Last year, we determined the materiality percentage at 1.5%, below the allowed maximum of 2%, due to factoring in the impact of backstop from previous year audits. In the current year, the guidance has clarified that the backstop does not affect the overall materiality level; rather, it impacts the performance materiality, which has been reduced based on the factors explained below.
- We have kept the threshold for the current year at 2%, lower than the maximum 2.5%, based on our judgement around the business environment the council operates in, considering the challenges described in section 1 and the fact the Council has a group structure.

Performance materiality

- The performance materiality for the Group has been determined to be **£781.8k** (PY: 650k) which equates to 60% (PY: 65%) of the group materiality. The performance materiality for the Council has been determined to be **£742k** (PY: 617.5k) which equates to 95% (PY: 95%) of the group performance materiality.
- As part of our risk assessment, we have considered the impact of unadjusted prior period errors. We have decreased the group performance materiality in comparison to prior year based on the following factors:
 - a total of 15 control deficiencies consisting of 5 high level, 7 medium level and 3 low-level control deficiencies were identified in last year;
 - A number of adjusted misstatements were made in last year financial statements which we were unable to verify due to time constraint in meeting backstop deadline; and
 - A total of 4 issues were identified which we were not able to conclude whether those would have resulted in material misstatement.

Specific materiality

- We have determined a lower materiality of **£20k** and lower performance materiality of **£12k** for Officers' Remuneration disclosure in the financial statement due to its qualitatively material nature.

Reporting threshold

- We are also obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at **£65.15k** (PY: £50k) for the Group and **£64.8k** (PY: £47.5k) for the Council at 5% (PY: 5%) of the materiality of the Group and Council respectively, in addition to any matters considered to be qualitatively material.

Our approach to materiality (continued)

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

	Group (£)	Authority (£)	Qualitative factors considered
Materiality for the financial statements	1,303,000	1,296,000	This is approximately 2% (PY: 1.5%) of gross expenditure for the current year. The increase in materiality level is driven by our firm's revised guidance for determining materiality for local government clients, which has raised the allowable thresholds to up to 2.5% (PY: 2%) for the lowest risk entities. Last year, we determined the materiality percentage at 1.5%, below the allowed maximum of 2%, due to factoring in the impact of backstop from previous year audits. In the current year, the guidance has clarified that the backstop does not affect the overall materiality level; rather, it impacts the performance materiality, which has been reduced based on the factors explained below. We have kept the threshold for the current year at 2%, lower than the maximum 2.5%, based on our judgment around the business environment the council operates in, considering the challenges described in section 1 and the fact the Council has a group structure.
Performance materiality for the financial statements	781,800	742,000	<p>The performance materiality for the Group has been determined at 60% (PY: 65%) of the group materiality. The performance materiality for the Council has been determined at 95% (PY: 95%) of the group performance materiality. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. We have decreased the group performance materiality in comparison to prior year based on the following factors:</p> <ul style="list-style-type: none"> - a total of 15 control deficiencies consisting of 5 high level, 7 medium level and 3 low-level control deficiencies were identified in last year; - A number of adjusted misstatements were made in last year financial statements which we were unable to verify due to time constraint in meeting backstop deadline; and - A total of 4 issues were identified which we were not able to conclude whether those would have resulted in material misstatement.
Materiality for Officers' Remuneration disclosure	20,000	20,000	We have determined a lower materiality of £20k for Officers' Remuneration disclosure in the financial statement due to its qualitatively material nature. A lower performance materiality of £12k has also been determined at 60% of the materiality.
Triviality	65,150	64,800	This is approximately 5% of overall materiality.

04 Overview of significant risks identified

Overview of significant risks

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.

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

Risk title	Risk relates to	Risk level	Change in risk since Audit Plan	Fraud risk	Status of work
Management override of controls	Group and Council	Significant	↔	✓	●
Valuation of land and buildings and investment properties	Group and Council	Significant	↔	✗	●
Valuation of the net pension fund liability	Council	Significant	↔	✗	●
Risk of fraud related to occurrence of housing benefit expenditure	Council	Significant	↔	✗	●
Implementation of new accounting standard - IFRS 16	Council	Significant	↔	✗	●

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

- Audit work is complete
- Audit work is ongoing
- We are unable to complete all the procedures required, hence unable to conclude

Rebuttal of significant risk on revenue and expenditure

In accordance with ISA (UK) 240, we have assessed the rebuttable presumed risk of material misstatement due to fraud (significant risk) in revenue recognition.

As required by Practice Note 10 (PN 10), we have also considered the risk of material misstatement due to fraud (significant risk) in expenditure recognition.

Based on our assessment, we do not consider either area to represent a significant risk.

Risk	Risk relates to	Audit team's assessment
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	<p>We have completed our risk assessment of all revenue streams for the Council. Having considered the risk factors set out in ISA 240 and nature of the revenue streams at the Council, we have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying transaction, or immaterial nature of the revenue streams both individually and collectively. We have determined the following:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Sevenoaks District Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Council. Our assessment is consistent with the audit plan.</p>

Rebuttal of significant risk on revenue and expenditure (continued)

Risk	Risk relates to	Audit team's assessment
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.	<p>We have completed our 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 except for housing benefit expenditure (as explained in page 20). This is due to the low fraud risk in the nature of the underlying transaction, or immaterial nature of the expenditure streams both individually and collectively. We have determined the following:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • the culture and ethical frameworks of local authorities, including Sevenoaks District Council, mean that all forms of fraud are seen as unacceptable. <p>We have assessed our risk around the capital expenditure through the inappropriate capitalisation of revenue items as well.</p> <p>Based on the above factors, we do not consider it to be an area of significant risk of material misstatement.</p>

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> <p>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>Group and Council</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design and implementation effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; Identified and tested unusual journals made during the year for appropriateness and corroboration; tested top-side consolidation adjustments applied to the individual subsidiary accounts when preparing the group accounts; and gained an understanding of the accounting estimates and critical judgements applied made by management. 	<p>Based on our audit procedures, a total of 26 journals were selected for testing using our risk-based criteria. We were able to test these, as management provided sufficient working papers and supporting evidence to demonstrate that the tested journals do not pose any risk of management overriding controls.</p> <p>We identified 2 best practice recommendations in prior year related to S151 Officer (Chief Financial Officer) having journal entry posting rights within the system and the approval of journal entries outside the system as documented in section 8 of the report, which remains relevant for the current year as well.</p> <p>We cannot draw finalised conclusions from this work, given that all the planned areas of testing for this significant risk has not been completed. For instance, whilst we have gained an understanding of the accounting estimates and critical judgements applied by management, we were unable to conclude on the reasonableness in application for those estimates. This is due to lack of assurance on opening balances and other areas of the accounts set out on the subsequent pages and the time constraints to perform sufficient procedures on these accounting estimates. The key judgements in the financial statements for 2024/25 are documented in section 6 of the report.</p> <p>Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of the audit opinion for the financial year 2024/25.</p>

Significant risks (continued)

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Valuation of land and buildings and investment properties</p>	<p>Group and Council</p>	<p>Following on from our planned audit procedures on this significant risk, we have:</p>	<p>From our planned procedures, we were unable to obtain an understanding of the design and implementation of the control over the valuation process and the CIPFA Asset Module System relevant to this area, as the necessary information for this was not readily available from management.</p>
<p>Land and Buildings Council: 2024-25: 78.365m (2023-24: £79.771m) Group: 2024-25: 78.365m (2023-24: £79.771m)</p>		<ul style="list-style-type: none"> • Obtained understanding of 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 management valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; and • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding. 	<p>Valuation of land and buildings: In prior year, we raised a control recommendation regarding non-availability of reconciled Fixed Asset Register (FAR) from the management as explained in section 8 of the report. Unfortunately, management has not been able to resolve this in this year therefore we did not receive the FAR. Hence, we could not select samples for land and buildings valuation.</p>
<p>The Council re-values its land and buildings on a rolling five yearly rolling basis. Operational land and building is held at current value in accordance with the LG Code. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The Council has appointed Wilks head & Eve to carry out the valuations for 2024-25. We will pinpoint our significant risk around individual assets which are large or where the valuation movement is significant and outside of what we would expect based on indices.</p>			<p>Additionally, we did not receive assessment and working from management which demonstrate the carrying value of the assets not revalued this year is not materially different from their current values.</p>
<p>Investment Properties Council: 2024-25: 32.172m (2023-24: £32.148m) Group: 2024-25: 57.181m (2023-24: £54.085m)</p>			<p>As a result, we could not obtain assurance over land and buildings valuation ahead of backstop deadline.</p>
<p>In accordance with the LG Code, the Council measures its investment properties at fair value. This means they are valued at highest and best use and is re-valued each year-end.</p>			<p>Valuation of Investment properties: We selected 16 assets for Investment Properties (7 for Council and 9 for subsidiaries) based on the valuation report from the valuer (Wilks, Head and Eve - WHE) which were revalued during the year.</p> <p>(continued overleaf)....</p>

Significant risks (continued)

Risk identified	Relates to Audit procedures performed	Key observations
<p data-bbox="109 279 626 351">Valuation of land and buildings and investment properties (continued)</p> <p data-bbox="109 372 759 668">For the Group, the investment properties balance includes subsidiary investment properties related to Quercus 7 Limited and Quercus Housing Limited. The investment properties is measured at its highest and best use and is re-valued each year-end. The Council has appointed Wilks head & Eve to carry out the valuations for 2024-25.</p> <p data-bbox="109 715 759 972">Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2025 in the Group and Council financial statements are not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p data-bbox="109 1019 759 1235">We identified the valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p data-bbox="766 279 924 351">Group and Council</p>	<p data-bbox="1447 279 2435 386">However, we were unable to complete testing for the samples within the time constraints of the audit's backstop deadline, as agreed with the management, due to the following factors:</p> <ul data-bbox="1447 408 2435 672" style="list-style-type: none"> <li data-bbox="1447 408 2435 515">• Management were unable to provide the evidence of source data i.e. income earned from the investment properties used in the valuation by the valuer, which was shared by them with valuer. <li data-bbox="1447 529 2435 672">• We did not receive working from the management for revaluation movement during the year due to which we could not ensure the accuracy of accounting treatment and recording of gain/(loss) on revalued assets. <p data-bbox="1447 694 2435 801">Therefore, we could not test and gain assurance due to delayed and insufficient workpapers, supporting evidences and replies from management and the valuer.</p> <p data-bbox="1447 822 2435 965">In prior year, we raised 2 control deficiencies for the non-availability of reconciled Fixed Asset Register (FAR) and the other working papers and supporting evidences as explained in section 8 of the report. These remain relevant for current year as well.</p> <p data-bbox="1447 986 2435 1122">Based on the above, we are unable to reach a conclusion in this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of the audit opinion for the financial year 2024/25.</p>

Significant risks (continued)

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Valuation of net pension liability Council: 2024-25: £7.109m (2023-24: £10.205m)</p> <p>The pension fund net liability, as reflected in the Council's balance sheet as net pensions liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£7.109m as at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design and implementation effectiveness of relevant controls over valuation process put in place by management to ensure that the Council's pension fund net liability is not materially misstated; evaluated the instructions issued by management to their management experts (the 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 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 reports from the actuary; 	<p>We completed our testing in this area during the current year, which helped us build assurance over the net pension liability as at year end.</p> <p>We have identified several adjustments required in the pension liability disclosures, as explained in section 8 of the report. Management has agreed to amend the disclosures to reflect these identified adjustments.</p> <p>The audit of the Kent Pension Fund (KPF) identified a difference in net assets due to issues in the data shared with the actuary by KPF and a difference in the valuation of investments between the draft financial statements and the underlying supporting evidence. The Council's share of these adjustments resulted in overstatement of net pension liability by £408k. However, the Council has chosen not to adjust for these amount, considering it immaterial. This item has therefore been included in the schedule of unadjusted misstatements. For further details, please refer to section 8.</p> <p>However, our audit opinion will be a disclaimer of opinion due to the other matters detailed in the report.</p>

(continued overleaf)....

Significant risks (continued)

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Valuation of net pension liability (continued)</p> <p>However, a small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk due to change in key assumptions.</p>	Council	<ul style="list-style-type: none"> • undertook procedures to confirm the reasonableness of the actuarial assumptions and method made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • Used PwC as auditors' expert to assess actuary and assumptions made by actuary. • Reviewed the IFRIC 14 assessment for 24/24 carried out by management experts; and • obtained assurance from the auditor of Kent Pension Fund and as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements. 	

Significant risks (continued)

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Risk of fraud related to occurrence of housing benefit expenditure</p> <p>Council: 24-25: £16.63m (23-24: £18.14m)</p> <p>Housing Benefit for both Sevenoaks District Council and Dartford Borough Council is administered via a shared service arrangement with both Council's working in partnership.</p> <p>Having carried out our risk assessment work, we do consider there to be a fraud risk around the occurrence of housing benefit expenditure. As a result, we have designed audit procedures to address this significant risk. It was identified as a significant risk due to fraud in previous year and continues to the risk in current year.</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design and implementation effectiveness of relevant controls over housing benefit expenditure; performed IPE testing to confirm the reliability of that information and that it is accurate and complete; completed the uprating checklist (HBAP module 2); completed the software diagnostic tool (HBAP, module 5); reviewed year-end reconciliation of housing benefit system to general ledger and follow up any significant reconciling items; Tested a sample of housing benefit expenditure by verifying supporting documentation and tracing payments to bank statements, ensuring the recorded expenditure is accurate, occurred during the financial year, and was paid to the correct intended recipient; and checked the duplicate bank accounts within Housing Benefits Payments listing to ensure that payments are not being made to same person against two different credit IDs. 	<p>We tested a sample of 63 samples against supporting documentation in this area and have found no issues. We have also completed our other procedures, including checking duplicate bank accounts within the Housing Benefits payments listing to confirm that payments are not being issued to the same individual under different credit IDs.</p> <p>We have not found any material issues requiring the Audit Committee's attention.</p> <p>However, our audit opinion will be a disclaimer of opinion due to other matters detailed in the report.</p>

Significant risks (continued)

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Implementation of new accounting standard - IFRS 16 Council: 24-25: £1.312m (23-24: £1.646m)</p> <p>IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases, replacing IAS 17 Leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information provides 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.</p> <p>IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to exemptions for short-term or low-value leases), representing a major change from the requirements of IAS 17 regarding operating leases.</p> <p>Lessor accounting remains substantially unchanged, leading to an asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgment as to whether the lease out is an operating or finance lease is made with reference to the right of use asset rather than the underlying asset.</p> <p>With the implementation of the new accounting standard IFRS 16, the accounting for lease contracts will be assessed to ensure that they have been correctly classified and accurately recorded in accordance with the requirements of CIPFA Code for IFRS 16.</p>	Council	<p>Unfortunately, we could not perform any of our intended procedures as explained in our Final Audit Plan dated 26 November 2025. See right for the explanation.</p>	<p>For completeness of lease liability and ROU assets and valuation of ROU assets:</p> <ul style="list-style-type: none"> • We have been unable to obtain an understanding of management's process and relevant controls in place for the identification of lease contracts for IFRS 16 accounting purposes, including how completeness is ensured and the valuation of the Council's ROU assets is not materially misstated as sufficient information was not available ahead of the backstop deadline; • We received a list of lease agreements that were in place at the end of the year. However, we could not confirm whether this list was complete and accurate because we did not receive information showing how it matches with last year's leases and any new leases added during the year, including peppercorn leases. In addition, we did not receive calculations showing the impact of IFRS 16 on the accounts, including how leases previously classified as operating or finance leases under the old accounting standards were reclassified; and

(continued overleaf)....

Significant risks (continued)

Risk identified	Relates to	Audit procedures performed	Key observations
<p>Implementation of new accounting standard - IFRS 16 (continued)</p> <p>This assessment will involve reviewing contracts that the council currently records as operating leases as a lessee, finance leases as a lessee, as well as leases where the council operates as a lessor.</p> <p>Pinpointing the significant risk:</p> <p>There is a risk that lease liabilities and the right-of-use (ROU) assets may not be complete, and the ROU assets may not have been valued appropriately as at the year end. This is the first of year implementing IFRS 16 and therefore prone to errors in terms of not including all the lease contracts where council as a lessee in the assessment that should have recognised on the balance sheet under IFRS 16, especially in case of peppercorn leases which would have been recognised as operating leases under previous accounting standard. Additionally, the absence of prior-year assurance adds to the challenge if the finance leases have been properly carried forward as required under IFRS 16. Additionally, valuation of ROU assets where they are recognised on fair value under IFRS 16 involves complex estimates creating potential for material misstatement in the valuation.</p>	Council		<ul style="list-style-type: none"> We have been unable to select samples to test the valuation of ROU assets because management did not provide an updated Fixed Asset Register (FAR). This register would have shown all ROU assets recognised this year, including those reclassified from property, plant, and equipment for leases treated as finance leases under the previous accounting standard, as well as other lease contracts added during the year, such as peppercorn leases that were previously treated as operating leases. <p>Based on our review of the accounts, we noted that the disclosures required under IFRS 16 including the relevant accounting policy, key estimates and judgement, right of use asset and lease liability have not been updated in the draft accounts from the previous accounting standard.</p> <p>However, we cannot determine how significant the impact of these missing disclosures is on the accounts. Therefore, we have included this matter in section 8 of the report, as matter that cannot be concluded on ahead the backstop deadline.</p> <p>Unfortunately, the working papers for implementation of the new lease accounting standard (IFRS 16) were significantly delayed, with the initial assessment only provided in November 2025, however as the assessment was incomplete, we had to backstop this area in the current year therefore we have not been able to obtain assurance in this area.</p>

05 Other areas of accounts in scope for audit

Other areas of accounts in scope

Below is the summary of our work on other areas of the financial statements and the result thereon. A significant control deficiency was raised regarding the overall financial reporting and close-down process due to management's inability to timely provide appropriate and reconciled workpapers and supporting evidence in prior year. The same remains relevant for the current year as well. Please refer to section 8 of the report for details.

Testing Area	Commentary	Relevant to Council Status and/or Group
Fees and charges and other service income (£23.55 million)	<p>We have:</p> <ul style="list-style-type: none"> agreed the ledger breakdown to the TB and supporting note for fees and charges and other services income and identified an unreconciled difference of £4.6million. This remains unresolved and we have included this difference within the list of matters not concluded ahead of the backstop deadline in section 8 of the report. been unable to select the sample, as the transaction listing contained various internal transfers and recharges, which is required to be manually cleansed before sample could be selected. raised a control deficiency relating to the cleansing of the transaction listing in section 8 of the report, as management confirmed that providing a cleansed listing could not be achieved before the backstop deadline. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council

Assessment:

- [Red] Audit work is backstopped
- [Amber] Audit work is ongoing
- [Green] Audit work is completed

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
<p>Government grants and contributions (£15.68 million) and</p> <p>Capital grants and contributions (£9.32 million)</p>	<p>We have:</p> <ul style="list-style-type: none"> • been unable to reconcile the government grants and contributions income and capital grants and contributions income as per the CIES to the relevant notes in the accounts and the transaction listing. • selected 11 samples for testing to verify accuracy and occurrence of the transactions from the income breakdown given in Note 28 Grant income. • received partial evidence and had pending queries raised with the management, therefore we were unable to test the selected samples. • due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	<p>● Council</p>
<p>Interest and investment income (£3.1 million)</p>	<p>We have:</p> <ul style="list-style-type: none"> • agreed the transaction listing to the TB and supporting note for interest and investment income. • selected 11 samples for testing to verify accuracy and occurrence of the income recorded during the year. • tested the 11 samples based on the evidence provided by the management. We identified a misstatement of £238k, as explained in section 8 of the report, which management has adjusted in the financial statements. • identified no other matters in this area that require reporting to the Audit Committee. 	<p>● Council</p>

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
<p>Movement in fair value of investment properties (Council: £0.46 million Group: 0.13 million) and (Surplus) or deficit on the revaluation of property, plant & equipment (PPE) assets (Council and Group: £1.45 million) and Revaluation movements in property, plant equipment note (Note 10).</p>	<p>We have:</p> <ul style="list-style-type: none"> • been unable to reconcile the movement in the fair value of investment properties and (surplus) / deficit on the revaluation of PPE as per the financial statements to the transaction listing. • been unable to select samples for land and buildings valuation due to non-availability of reconciled Fixed Asset Register (FAR). • selected 16 assets for Investment Properties (7 for Council and 9 for subsidiaries) based on the valuation report from the valuer (Wilks, Head and Eve - WHE) which were revalued during the year. However, we have been unable to complete testing for the samples selected due to the factors explained in section 4 of the report for valuation of land and buildings and investment properties. • raised 2 control deficiencies, in prior year, for the non-availability of reconciled Fixed Asset Register (FAR) and the other working papers and supporting evidences as explained in section 8 of the report. These remain relevant for current year as well. • due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	<p>Council and Group</p> <p style="text-align: center;">●</p>
<p>Income / Debtors (Completeness)</p>	<p>We have:</p> <ul style="list-style-type: none"> • obtained the list of invoices raised and the bank statements post year-end. • selected 6 samples for invoices raised post year-end, and 10 samples for receipts post year-end to ensure that transactions are recorded in the correct period. • tested all invoices raised post year-end samples and receipts post year-end samples as management provided sufficient supporting evidence. No issues were noted in the tested samples. • identified no matters in this area that require reporting to the Audit Committee. 	<p>Council</p> <p style="text-align: center;">●</p>

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
Other operating expenditure (£41.75 million)	<p>We have:</p> <ul style="list-style-type: none"> agreed the transaction listing to the TB and relevant note in the accounts for other operating expenditure and identified an unreconciled difference of £695k. This remains unresolved and we have included this difference within the list of matters not concluded ahead of the backstop deadline in section 8 of the report. noted, upon reviewing the transaction listing, that the control deficiency raised in the prior year relating to the cleansing of the transaction listing, as explained in section 8 of the report, remains relevant in the current year. Management was again unable to provide a cleansed listing ahead of the backstop deadline. Consequently, we have been unable to select sample in this area. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council
Precepts and levies (£5.56 million)	<p>We have:</p> <ul style="list-style-type: none"> agreed the transaction listing to the TB and supporting note and identified no issues. selected all items for testing and tested against the evidence provided by the management. No issues were noted. identified no matters in this area that require reporting to the Audit Committee. 	

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
Revenue Expenditure Funded from Capital Under Statute (REFCUS) (£6.18 million)	<p>We have:</p> <ul style="list-style-type: none"> agreed the transaction listing to the TB and relevant note in the accounts for other operating expenditure (including REFCUS) and identified an unreconciled difference of £695k. This remains unresolved and we have included this difference within the list of matters not concluded ahead of the backstop deadline in section 8 of the report. Selected 9 samples for testing and tested against the evidence provided by the management. No issues were noted. identified no other matters in this area that require reporting to the Audit Committee. 	Council
Expenditure / Creditors (Completeness)	<p>We have:</p> <ul style="list-style-type: none"> obtained the list of invoices received post year-end. Also obtained the bank statements post year-end. selected 10 samples for invoices received post year-end, and 21 samples for payments made post year-end to ensure that transactions are recorded in the correct period. tested all invoices received post year-end samples and receipts post year-end samples as management provided sufficient supporting evidence. No issues were noted in the tested samples. identified no matters in this area that require reporting to the Audit Committee. 	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
Employee benefits expenditure (£16.3 million)	<p>We have:</p> <ul style="list-style-type: none"> obtained the understanding of the process and controls over the employee benefits expenditure. reconciled the transaction listing with the TB and the relevant note in the accounts for employee benefits expenditure. reviewed the reconciliation between payroll cost as per the note and the payroll sheets for the year. We have tested 6 samples, for the reconciling items and no material issues were noted. sampled 9 new joiners and 8 leavers and 9 instances of changes in circumstances during the year and were able to test the samples, as management provided sufficient working papers and supporting evidence. No issues noted in the tested samples. performed data analytics over payroll to assess reasonableness, including trend, outlier, and duplicate-attribute tests. Exceptions identified were investigated and no material issues were noted. selected 5 samples from payroll reports for testing to verify accuracy and occurrence of the transactions. No material issues noted. identified no matters in this area that require reporting to the Audit Committee. 	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
Depreciation, amortisation and impairment (£1.29 million)	<ul style="list-style-type: none"> We have: been unable to reconcile the depreciation of non-current assets as per relevant notes in the accounts to the GL. in prior year, raised a control recommendation regarding non-availability of reconciled Fixed Asset Register (FAR) from the management as explained in section 8 of the report. Unfortunately, management has not been able to resolve this in this year therefore we did not receive the FAR. Hence, we could not test this area. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council 
PPE – Additions (£1.7 million)	<p>We have:</p> <ul style="list-style-type: none"> agreed the transaction listing for additions to the relevant note in the accounts and identified a variance of £0.36 million. This difference related to a disclosure error, whereby the amount related to depreciation was incorrectly shown as addition. Management has agreed to correct this disclosure misstatement, as detailed in section 8 of the report. selected 5 samples of additions to test both the accuracy of the recorded amounts and the occurrence of the underlying transactions. Our testing identified instances where certain additions had been incorrectly classified under the ‘Buildings’ category, when they should have been recognised as ‘Assets Under Construction’. As a result, we identified a reclassification adjustment of £213k, which is detailed in section 8 of the report and which management has agreed to correct. identified no other matters in this area that require reporting to the Audit Committee. 	Council 

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
PPE – Reclassification movements during the year (£0.94 million)	<p>We have:</p> <ul style="list-style-type: none"> agreed the PPE reclassification movement during the year as per relevant note in the accounts to the transaction listing. selected all of 2 items that were reclassified out of ‘Surplus Assets’ to ‘Assets Under Construction’ during the year. No issues noted. identified no other matters in this area that require reporting to the Audit Committee. 	Council
PPE – Closing balance other than land and buildings (£4.96 million)	<p>We have:</p> <ul style="list-style-type: none"> been unable to reconcile the closing balances of other assets as relevant note in the accounts to the TB. in prior year, raised a control recommendation regarding non-availability of reconciled Fixed Asset Register (FAR) from the management as explained in section 8 of the report. Unfortunately, management has not been able to resolve this in this year, therefore we did not receive the FAR. Hence, we were unable to perform testing in this area as we could not identify the assets comprising the closing balance in order to select samples. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
<p>Long term investments (£9.04) million)</p> <p>Long term debtors (£8.66 million)</p>	<p>We have:</p> <ul style="list-style-type: none"> • agreed the ledger breakdown to the TB and relevant note in the accounts for long-term investments and long-term debtors. • matched the amounts disclosed as long-term investments and long-term debtors to the respective contracts and have determined the split of debt and equity to be in line with the underlying contracts. • in line with prior year, not received the assessment from management explaining how the long-term debtors were recognised at amortised cost as a present value of future cashflows using the effective interest rate (market rate) under IFRS 9. If the effective rate is different than nominal rate, it results in difference in recognition of the initial debtor as well as changes the interest income recognised in the year. We have included this in the list of matters not concluded ahead of the backstop deadline in section 8 of the report, in line with last year. • identified disclosure misstatements in terms of the classification and disclosure after discussing with the management which are explained in detail in section 8 of the report. • also identified unadjusted misstatements in section 8 of the report related to fair value gain/(loss) on investment in multi-asset income funds and share in the municipal bond agency. • due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
Cash and cash equivalents (Council: £6.67 million) (Group: £7.34 million)	<p>We have:</p> <ul style="list-style-type: none"> obtained an understanding of process and control over cash and cash equivalents. agreed the ledger breakdown to the TB and relevant note in the accounts for cash and cash equivalents. obtained and tested bank reconciliation statement for the bank accounts as at the year-end where reconciling items were noted. We have tested the reconciling items on sample basis to ensure those are appropriately reflected in the bank reconciliation statement. circularised the balance confirmations for both, Council and subsidiaries, as at year end directly to the financial institutions and have received the responses. No issues has been identified in the balances confirmed. identified an adjustment relating to a £79k cash-in-transit balance that had been carried forward from the prior year, despite the underlying transactions having already cleared. Management has decided not to adjust the accounts for this as it is not material, as detailed in section 8 of the report. identified no other matters in this area that require reporting to the Audit Committee. 	Council and Group

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
Inventories (£4.62 million)	<p>We have:</p> <ul style="list-style-type: none"> • agreed the closing inventories balance as per relevant note in the accounts to the TB. • for additions during the year, tested 5 samples for accuracy and occurrence. No issues noted from the testing. • upon our review of the inventories, identified the following issues: <ul style="list-style-type: none"> a) we have not received the item wise inventory listing and supporting workpaper from management to agree with the closing inventory amount reported in the accounts. b) movements during the year include purchases relating to various expenditures such as surveying services, site visit costs, salaries, architectural fees, and other costs. It is unclear whether these relate to fully constructed properties or properties still under construction. As a result, we were unable to obtain assurance over the appropriateness of the classification. c) we were unable to gain understanding or obtain assurance over the disposals disclosed in the inventory note, as a property-wise listing showing the cost of disposals for each property was not provided. • a control recommendation regarding supporting workpapers, raised in the prior year and explained in section 8 of the report, remains relevant in the current year. • noted a disclosure misstatement in relation to the inventory accounting policy as explained in section 8 of the report. • due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
<p>Short-term debtors (including allowance for doubtful debt) (£9.41 million)</p> <p>and</p> <p>Payments in advance (£1.44 million)</p>	<p>We have:</p> <ul style="list-style-type: none"> agreed the debtors' breakdown to the TB and relevant note to the accounts for short-term debtors and payments in advance. received the transaction listing making up the closing balance for debtors, except for the collection fund debtors amounting to £5.79 million, which management was unable to provide ahead of the backstop deadline. selected 6 samples from short-term debtors and tested against supporting evidence provided by management, no issues noted in this testing. selected 10 samples from Housing Benefit overpayment receivables as at year-end to verify the accuracy and existence of the balances, however, we could not complete the testing for these samples. For 5 samples, we did not receive responses from the management for the queries, ahead of backstop deadline and for 5 samples, although we received in the information, however it was late in audit process, hence we could not review the information received. been unable to test allowance for impaired debt as management did not provide the supporting calculation to reconcile with the amount reported in the financial statements, and the working forming basis for the percentages used in the calculation of the allowance as at the year-end. in prior year, we identified 2 control deficiencies, as explained in section 8 of the report, explaining that management should establish a process to ensure that the transaction listing of short-term debtors and payments in advance is cleansed and that an allowance for impaired debts working is prepared and reviewed before being shared with us during the audit period. This remains relevant for the current year as well. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
<p>Short-term creditors (£10.22 million) and Receipts in advance (£2.83 million)</p>	<p>We have:</p> <ul style="list-style-type: none"> agreed the creditors' breakdown to the TB and relevant note to the accounts for short-term creditors and receipts in advance. received the transaction listing making up the closing balance for creditors, except for the collection fund debtors amounting to £6 million, which management was unable to provide ahead of the backstop deadline. selected 6 samples to verify accuracy and existence of the creditor balances as at year-end. The samples were tested against supporting evidence provided by management, and no issues were noted. identified a misstatement as explained in section 8 of the report regarding a classification error between debtors and creditors note amounting £184k. Management has agreed to amend the accounts for this error. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council
<p>Provisions (Short-term & Long-term) (£5.15 million)</p>	<p>We have:</p> <ul style="list-style-type: none"> not received the breakdown for the provision as disclosed in the financial statements. not received the working for provisions including, NNDR appeals provision as at the year end from the management. from our work in litigation and claims, we identified a misstatement of £398k relating to a legal case as explained in section 8 of the report. Management has agreed to amend this. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
<p>Long-term borrowings (Council and Group: £13.77 million)</p>	<p>We have</p> <ul style="list-style-type: none"> • agreed the ledger breakdown to the TB and relevant note to the accounts for long-term borrowings. • tested all the borrowings as at year end to verify accuracy and existence of the balances as at year-end. • obtained direct confirmation from third party where applicable and matched the amount for borrowings to the underlying contracts. • Verified the classification of borrowing as short-term and long-term for the disclosure purposes. • upon our review of the borrowings, identified misstatements related to classification and disclosure. Please refer to section 8 of the report for details. • due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	<p>Council and Group</p> <p>●</p>
<p>Capital grants received in advance (7.48 million)</p>	<p>We have</p> <ul style="list-style-type: none"> • agreed the ledger breakdown to the TB and relevant note to the accounts for Capital grants received in advance. • selected 3 samples to test the accuracy, existence and rights and obligation of grants received in advance as at the year end. The samples were tested against supporting evidence provided by management, and no issues were noted. • identified no matters in this area that require reporting to the Audit Committee. 	<p>●</p>

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
<p>Movement in reserves statements (including usable and unusable reserve)</p> <p>(Council: 106.95 million)</p> <p>(Group: 117.36 million)</p>	<p>We have:</p> <ul style="list-style-type: none"> not received the reconciled working papers for reserves balance as at the year end from the management. In prior year, identified a control deficiency as detailed in section 8 of the report, explaining that management should have process in place to ensure consistency between the movements in reserves and other notes to the financial statements resulting in accurate reserve balance as at year end. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	<p>Council and Group</p> <p>●</p>
<p>Note 7 Expenditure and funding analysis</p>	<p>We have:</p> <ul style="list-style-type: none"> not received the working paper for expenditure and funding analysis from the management to reconcile to the disclosure in the accounts. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area. 	<p>Council</p> <p>●</p>
<p>Note 10 Capital commitments disclosure in property, plant and equipment</p>	<p>We have:</p> <ul style="list-style-type: none"> received the reconciled working paper for capital commitments from the management as disclosed in the financial statements. tested all the capital commitments disclosed in the accounts and no issues noted. identified no matters in this area that require reporting to the Audit Committee. 	<p>Council</p> <p>●</p>

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
Note 12 Financial instruments	<p>We have:</p> <ul style="list-style-type: none"> not received the reconciled working paper for financial instruments from the management as disclosed in the financial statements. however, identified misstatements in the note based on our review of the disclosure as part of our audit of the long-term debtors, long-term investments and borrowings. Please refer to section 8 for details. been unable to conclude on the accuracy and completeness of the disclosure as this area is linked with various other areas within financial statements which have not been able to obtain assurance over. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council
Note 26 Officers' remuneration	<p>We have:</p> <ul style="list-style-type: none"> obtained the understanding of the process and controls over the officers' remuneration disclosure. obtained management's working for the officers' Remuneration as disclosed in the financial statements. we requested management for the supporting evidences for the figures disclosed in the note including senior officer remuneration, exit packages and remuneration bands. completed our testing and identified disclosure misstatements as explained in section 8 of the report, which the management has agreed to amend. identified no other matters in this area that require reporting to the Audit Committee. 	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
Note 29 Related party transactions	<p>We have:</p> <ul style="list-style-type: none"> • obtained the understanding of the business process and controls over the related party transactions disclosure. • reviewed the register of related parties and ensured that management has identified all related-party relationships through appropriate processes. • raised some disclosure misstatements as detailed in section 8 of the report. • been unable to conclude on the accuracy of the disclosure as this area is linked with various other areas within financial statements which have not been able to obtain assurance over including operating expenditure, receivable and payables. 	Council and Group

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
Note 30 Capital expenditure and capital financing	<p>We have:</p> <ul style="list-style-type: none"> obtained the working paper for capital expenditure and financing from the management including the Minimum Revenue Provision (MRP) calculation, however we raised queries on it to the management, which could not be resolved ahead of backstop deadline. Additionally, we did not receive the working for Capital Financing Requirement (CFR) as disclosed in the financial statements. during our review of the MRP calculations, identified a misstatement, as outlined in section 8 of the report. We also noted that management has not been accruing MRP on the loans provided to subsidiaries. Based on discussions with management, our understanding is that this has been the historical practice; however, MRP should be accrued on these loans. We were unable to quantify the impact of this matter ahead of the backstop deadline. As a result, it has been included in the list of matters that remain unresolved ahead of the backstop deadline, as set out in section 8 of the report. In prior year, Identified a control deficiency, as detailed in section 8 of the report, regarding management's responsibility to perform the checks for CFR and MRP during the preparation of accounts. This remains relevant for the current year as well. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
Cashflow statement	<p>We have:</p> <ul style="list-style-type: none"> not received the working paper for cashflow statement and its related notes as at the year end from the management. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area. 	Council and Group
Note 35 Contingent assets and Note 36 Contingent liabilities	<p>We have:</p> <ul style="list-style-type: none"> compared the disclosure to the prior year financial statements and have identified no changes. inquired from the management for other contingent assets and liabilities that require any disclosure, and none were identified. been unable to conclude on the accuracy and completeness of the disclosure as this area is linked with various other areas within financial statements which have not been able to obtain assurance over. due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. 	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
<p>Collection fund account and related notes and Income from council tax and business rates (£25.08 million)</p>	<p>We have:</p> <p>Collection Fund Income and Expenditure Account:</p> <ul style="list-style-type: none"> received the academy system report for council tax, NNDR and its related reliefs for the year, which we matched to the collection fund income and expenditure account. No issues noted. selected 25 samples for council tax reliefs and 25 samples for NNDR reliefs from the listings to verify accuracy and occurrence of these transactions. We were able complete testing for the reliefs based on the supporting evidence provided by the management and no issues were noted. performed analytical procedure for council tax income as per the collection fund income and expenditure account. No issues were noted. been unable to complete our analytical procedures over NNDR income because management notified us late in the audit process, that the income from business rate payers required revision from £40,418k to £37,429k. Given the timing of this adjustment, there was insufficient time to update and complete the required analytical procedures ahead of backstop deadline as the variance was above the threshold due to this change. tested precepts and demand and business rate expenses and its allocation to the relevant authorities as per collection fund disclosure. No issues have been noted. been unable to perform test on allowance for non collection, provision for alteration of lists & appeals and their allocation to the relevant authorities due to non-availability of workpapers. <p>Notes:</p> <ul style="list-style-type: none"> obtained the supporting workpapers and documents for the notes to the collection fund income and expenditure account. For Note 1, we could not obtain assurance over the number of taxable properties disclosed due to non-availability of the evidence. Additionally, we identified disclosure misstatements as outlined in section 8 of the report. <p><i>(continued overleaf)...</i></p>	Council

Other areas of accounts in scope (continued)

Testing Area	Commentary	Relevant to Council Status and/or Group
<p>Collection fund account and related notes</p> <p>and</p> <p>Income from council tax and business rates (£25.08 million) (continued)</p>	<p>Income from council tax and business rates and precepts and levies for the year in the Council's accounts:</p> <ul style="list-style-type: none"> • been unable to verify the council's share for Council tax and NNDR Income for the year, as the management could not provide responses to the queries on reconciliation ahead of backstop deadline. <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year.</p>	<p>Council</p> <p>●</p>
<p>Group accounts</p>	<p>We have:</p> <ul style="list-style-type: none"> • obtained an understanding of process and controls over the consolidation process and group wide controls. • as part of our review of the financial statements, we identified that management has produced the group CIES along with the Council's CIES, however the management has not shown the gross income and gross expenditure column for the group. We have explained and reported this as disclosure misstatement in the financial statements in section 8 of the report, which management has agreed to correct. • additionally, also identified few adjustments in relation to group accounts as explained in section 8 of the report. • due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to perform any procedure on accuracy of the consolidation adjustments. 	<p>Group</p> <p>●</p>

06 Other findings including IT

Other findings – key judgements and estimates

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

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p>Valuation of land and buildings and investment properties</p> <p>Land and Buildings</p> <p>Council: 2024-25: 78.365m (2023-24: £79.771m)</p> <p>Group: 2024-25: 78.365m (2023-24: £79.771m)</p>	<p>For land & buildings and investment properties valuation, management rely on the work performed by their qualified valuer (RICS qualified) independent of the finance team at the council. The capital accountant compares the year-on- year movement in valuations and also reviews the valuations in light of their knowledge of the council’s assets.</p> <p>The methods applied in the valuation are as below:</p> <p>Land and Buildings:</p> <ul style="list-style-type: none"> Depreciated Replacement Cost (DRC) Current Value – Existing Use Value (EUUV) <p>Investment Properties:</p> <ul style="list-style-type: none"> Fair Value (FV) 	<p>As explained in section 4 of the report, the planned procedures in this area could not be completed. As a result, we are unable to draw a conclusion in this area.</p> <p><i>(continued overleaf)....</i></p>	<p>Due to our inability to obtain assurance over the valuation of the land and buildings and investment properties and other factors explained in the report, we plan to issue a disclaimer of the audit opinion for the financial year 2024/25.</p>

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

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p>Valuation of land and buildings and investment properties – (continued)</p> <p>Council: 2024-25: 78.365m (2023-24: £79.771m)</p> <p>Group: 2024-25: 78.365m (2023-24: £79.771m)</p>	<p>For Land and Buildings, the valuer reports then set out a number of assumptions which have been factored into the valuation, such as condition of the asset, GIA/NIA (floor areas), obsolescence, build rates (BICS), capital improvements and alternative sites (such as land prices per acre at similar or nearby locations).</p> <p>For the investment properties the valuer reports set out a number of key inputs such as rental yields, rental income, and lease terms, which have been factored into the valuation.</p> <p>The Council’s policy is to revalue land and buildings (including surplus asset) every 5 years on rolling-basis and for investment property assets is to value annually.</p>		

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment																							
<p>Valuation of net pension liability Council: 2024-25: £7.109m (2023-24: £10.205m)</p>	<p>The Council has engaged Barnett Waddingham to complete the valuation of net defined benefit pension liability as at 31 March 2025. The latest full (triennial) actuarial valuation was completed in financial year 31 March 2022 (representing year zero of triennial valuation). A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 ‘Employee Benefits’.</p> <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> Assessment of management’s expert. Assessment of actuary’s approach taken regarding valuation method and detail work undertaken to confirm reasonableness of approach. Use of PwC as auditors’ expert to assess actuary and assumptions made by actuary. <table border="1" data-bbox="1309 718 2051 1125"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.90%</td> <td>4.80 to 4.95%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.90%</td> <td>2.85 to 3.00%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.90%</td> <td>3.85 to 4.00%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>20.8 / 22.0 years</td> <td rowspan="2">In line with the expectation.</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>23.3 / 24.7 years</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Reviewed the completeness and accuracy of the underlying information used to determine the estimate. <p><i>(continued overleaf)....</i></p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.90%	4.80 to 4.95%	●	Pension increase rate	2.90%	2.85 to 3.00%	●	Salary growth	3.90%	3.85 to 4.00%	●	Life expectancy – Males currently aged 45 / 65	20.8 / 22.0 years	In line with the expectation.	●	Life expectancy – Females currently aged 45 / 65	23.3 / 24.7 years	●	<p>We have assessed the estimation process and key judgements applied in valuation of net pension liability and considered this not to be overly cautious or optimistic in either direction from our work performed over the closing balance.</p> <p>However, as we anticipate issuing a disclaimed opinion, which reflects the lack of assurance over various areas of the accounts, we are unable to conclude and report a final assessment in respect of key judgements and estimates.</p>
Assumption	Actuary Value	PwC range	Assessment																							
Discount rate	4.90%	4.80 to 4.95%	●																							
Pension increase rate	2.90%	2.85 to 3.00%	●																							
Salary growth	3.90%	3.85 to 4.00%	●																							
Life expectancy – Males currently aged 45 / 65	20.8 / 22.0 years	In line with the expectation.	●																							
Life expectancy – Females currently aged 45 / 65	23.3 / 24.7 years		●																							

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of net pension liability - (continued)</p> <p>Council: 2024-25: £7.109m (2023-24: £10.205m)</p>	<p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p> <p>The actuary have performed a separate assessment for IFRIC 14 and no impact is required to be recorded in the financial statements.</p>	<ul style="list-style-type: none"> Reviewed the reasonableness of the Council's share of Local Pension Scheme (LPS) pension liability. Reviewed the adequacy of disclosure of estimate in the financial statements. Reviewed the reasonableness and accuracy of IFRIC 14 assessment prepared by the actuary. <p>We completed our testing in this area during the current year, which helped us build assurance over the net pension liability as at year end.</p> <p>We have identified several adjustments required in the pension liability disclosures, as explained in section 8 of the report. Management has agreed to amend the disclosures to reflect these identified adjustments.</p> <p>The audit of the Kent Pension Fund (KPF) identified a difference in net assets due to issues in the data shared with the actuary by KPF and a difference in the valuation of investments between the draft financial statements and the underlying supporting evidence. The Council's share of these adjustments resulted in overstatement of net pension liability by £408k. However, the Council has chosen not to adjust for these amount, considering it immaterial. This item has therefore been included in the schedule of unadjusted misstatements. For further details, please refer to section 8 of the report.</p>	

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
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Agresso	ITGC assessment (design and implementation effectiveness only)	 Green	 Green	 Green	 Green	Management override of control
Academy	ITGC assessment (design and implementation effectiveness only)	 Green	 Amber	 Green	 Green	Housing benefit expenditure
CIPFA Asset Module*	ITGC assessment (design and implementation effectiveness only)	 Black	 Black	 Black	 Black	Valuation of land and buildings and investment properties

* We raised our queries for understanding the design and implementation of IT General Controls (ITGCs) and cybersecurity controls over CIPFA Asset Module System. However, we have not received information from the management. As a result of time constraints in meeting the backstop deadline, as per our agreement with management, we have backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area. We will continue the process of recovery during 2025/26 and ongoing years.

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] Unable to form an opinion due to backstop

Other findings – Information Technology (continued)

Following are the control findings that we have identified as a result of our understanding of the IT systems. These have been already communicated to the management and are included here for completeness.

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Medium</p>	<p>Insufficient review process of access management and of the activities performed by users with security administrative access in Academy System</p> <p>During our review of access management controls, we noted two key weaknesses:</p> <ol style="list-style-type: none"> 1) There is currently no formal review conducted by management to monitor activities performed by users with security administrative access. Failure to review activities performed by users with security administrative access increases the risk of unauthorised or inappropriate changes to system configurations, user permissions, or sensitive data, which could compromise system integrity and confidentiality. 2) While the established process requires completion of a valid BPSS (Baseline Personnel Security Standard) form before granting access to any benefits-related functions, including read-only access for non-Benefits team members, our walkthrough identified a deviation from this control. Specifically, the Technical team granted “HBVIEW” access to a user based solely on an email communication from the Benefits Manager, without obtaining or evidencing a completed BPSS form. This indicates a lack of adherence to the documented access control procedure and reliance on informal approvals, increasing the risk of unauthorised access to sensitive benefits data. 	<p>We recommend that management should implement a formal process to periodically review activities performed by users with security administrative access to ensure compliance and detect any unauthorised changes.</p> <p>Additionally, access to benefits-related functions, whether full or read-only, should only be granted upon verification and documentation of a valid BPSS form. The technical team should maintain evidence of BPSS completion before provisioning access, and approvals should be routed through a standardised workflow rather than relying on informal email communication. This ensure compliance with security standards as well.</p> <p>Management response</p> <p>A new process is currently being developed to allow for a review of users with security administration access to detect any unauthorised changes.</p> <p>An amended policy for creating new users to the MRI system has been implemented, to ensure benefits access is only provided with signed authorisation from the Benefits Manager or Senior Benefits Team Leader, with a copy of the BPSS form.</p>

Assessment:

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

Other findings – Information Technology (continued)

Assessment	Issue and risk	Recommendations
<p data-bbox="173 482 206 511">●</p> <p data-bbox="129 539 244 568">Medium</p>	<p data-bbox="300 275 1327 311">Lack of updated and tested Response Recovery Plan for Cybersecurity</p> <p data-bbox="300 318 1447 511">From our review of the Council’s cybersecurity risk management, we noted that although the Council has a Business Continuity Plan (BCP), a Disaster Recovery Plan (DRP), and a Cyber Incident Plan (CIP) in place, these documents are out of date and have not been reviewed or tested annually. Discussions with the IT team also confirmed that all three plans are due for a significant update.</p> <p data-bbox="300 518 1447 746">We understand that no cybersecurity incidents occurred during the year, and therefore we have assessed this recommendation as medium. However, without updated and tested response and recovery plans, there is a risk that the Council may be unable to respond to or recover from a cyber incident effectively or in a way that supports operational needs. As a result, we have identified this as a control deficiency.</p>	<p data-bbox="1472 275 2390 618">We recommend that management update the Council’s Business Continuity Plan, Disaster Recovery Plan, and Cyber Incident Plan so they reflect current systems, risks, and operational requirements. Also, management should ensure that plans are formally reviewed and tested on an annual basis, with lessons learned captured and used to strengthen future iterations. This will help ensure the Council is able to respond to and recover from a cyber incident effectively and maintain continuity of critical services.</p> <p data-bbox="1472 625 1798 661">Management response</p> <p data-bbox="1472 668 2390 781">The BCP, DRP and CIP have all been reviewed and updated. There is currently work ongoing to improve the DRP functions which will result in a further update to the plan.</p>

07 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously communicated the risks of fraud identified by us with the Audit Committee in our audit plan. 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 have been unable to conclude on the accuracy of the disclosure as this area is linked with various other areas within financial statements on which have not been able to obtain assurance over, including operating expenditure, receivable and payables. Therefore, we were unable to obtain assurance on this area.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance in current year with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A signed letter of representation will be requested ahead of the auditor's report being signed. We have not identified the need for any specific representations at the time of writing.
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to its financial institutions, legal counsels and the relevant management experts. This permission was granted, and the requests were sent.</p> <ul style="list-style-type: none"> • Management's experts - Responses to audit queries from management's property valuation expert were delayed. We did not receive responses to some of our queries, and we have not pursued further follow-ups due to time constraints in meeting the backstop deadline as agreed with the management. As a result, we have been unable to reach a conclusion on the valuation of other land and buildings and investment properties, as detailed in section 4 of the report. Responses from management's actuary for pension liabilities were received timely and no issues were noted. • Financial institutions – We have received all the confirmations circularised to the financial institutions. No issues has been noted in the responses received. • Legal counsels – We communicated with the internal and external legal counsels who worked with the Council during the year. All responses been received.

Other communication requirements (continued)

Issue	Commentary
Disclosures	<p>We have identified several disclosure misstatements as detailed section 8 of the report. Additionally, we have identified several issues which we have been unable to conclude on as explained in section 8 of the report. Our audit opinion will be a disclaimer of opinion the current year,</p>
Audit evidence and explanations / Significant difficulties	<p>The Council had not been subject to a detailed and focused audit visit since 2020/21 until last year, which represented a learning experience for both management and the audit team. During the prior year audit, we performed extensive procedures and raised several control recommendations for management to address in order to support the recovery of assurance in future audit cycles. Both management and the audit team have invested significant efforts to improve the position in the current year. We have found management to be constructive, responsive, and collaborative throughout the audit process. However, despite management’s clear willingness and commitment to strengthen the control environment, these efforts have not resulted in the level of improvement required for the current year. As outlined in section 1 of the report, this is principally due to two underlying issues; system and processes constraints and skills and capacity challenges within the finance team.</p> <p>During the current year audit, we encountered several challenges that required us to extend our work beyond the originally agreed timelines. These challenges were primarily driven by delays in receiving reconciled transaction listings and supporting evidence for key balances, as outlined in section 4 and 5 of the report. Although our initial plan was to complete the audit by mid-December 2025, we agreed with management to extend our work into January 2026 to complete procedures in areas where it was worthwhile investing additional time to recover assurance and help reduce audit work in future years e.g., employee remuneration expenses, net pension liability and housing benefit expenditure</p> <p>We also used the extension period to carry out testing in areas where control recommendations had not yet been fully resolved, but where management had begun to make improvements—such as debtors and creditors—in order to assess what further enhancements may be required.</p> <p>This extension has resulted in fee implications. The detailed fee position is provided in section 10 of the report along with the fee variation proposed. Any proposed fee variations are subject to review and approval by Public Sector Audit Appointments (PSAA) to ensure they are reasonable and proportionate.</p> <p>We would like to extend our gratitude to the management for their assistance during the current year audit.</p>

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"> • 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>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"> • 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>However, as we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities (continued)

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 overall conclusion has been formed this year. This is due to the fact that sufficient audit work has not been undertaken in these areas to reach a conclusion.</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>No overall conclusion has been formed this year on AGS as sufficient audit work has not been undertaken in these areas to reach a conclusion.</p> <p>We have not applied any of our statutory powers or duties.</p> <p>We have identified significant weaknesses in the Council's arrangements to secure value for money. Please refer to our accompanying Auditors Annual Report or the summary in section 9 of the report for further information.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>HM Treasury requires that entities over a set threshold have their financial information for consolidation 'audited'. The thresholds are that any of total assets (excluding PPE), total liabilities (excluding pensions*), total income or total expenditure exceed £2bn for Central Government bodies and Local Government, bodies in the devolved nations and Public Corporations.</p>
Certification of the closure of the audit	<p>We would not be able to 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 confirmation is received from the NAO that the group audit for Whole of Government Accounts 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.</p> <p>We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.</p>

08 Audit adjustments and control recommendations

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 general fund £'000	Impact on unusable reserves £'000
Non-audit fees excess accrual				
During our testing of audit and non-audit fees disclosure, we identified that the Council has recognised an accrual of £33k in respect of fees payable to the service provider for the certification of grant claims and returns for 2024/25. However, the fee agreed with the service provider for this work is £21.8k, resulting in an excess accrual of £11.2k. Management has agreed to reverse the excess accrual and update the related disclosure to reflect the correct amount payable.	Cr. Other operating expenditure – (11.2)	Dr. Short-term creditors – 11.2	11.2	Nil
Provision for legal case				
During our audit of litigations and claims, we noted an ongoing legal case relating to historic Dartford Rural Council, which has since been incorporated into Sevenoaks District Council. Based on discussions with management, we understand that the Council has obtained legal advice regarding the expected outcome of this case. Management has agreed to recognise a provision in the financial statements to reflect the estimated liability arising from the legal advice received.	Dr. Other operating expenditure – 398	Cr. Short-term Provisions – (398)	(398)	Nil

Audit adjustments (continued)

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on general fund £'000	Impact on unusable reserves £'000
<p>Reclassification error in short-term debtors and short-term creditors</p> <p>During our audit, we identified a £184k difference between the short-term debtors and short-term creditors balances reported on the balance sheet and the amounts disclosed in their respective notes. The variance related to short-term debtors related general ledger code that had been incorrectly classified as a short-term creditors, rather than as a short-term debtors. Management has agreed to amend the accounts to reflect the correct classification.</p>	Nil	<p>Dr. Short-term debtors – 184</p> <p>Cr. Short-term creditors – (184)</p>	Nil	Nil
<p>Interest cost adjustment misclassification</p> <p>During our audit of interest income, we identified two one-off items relating to contributions against the PWLB loans for White Oak Leisure Centre and Sevenoaks Town Car Parks which have been incorrectly classified within Interest and Investment Income. Our review confirmed that they should have been recognised within the interest cost ledger so that they appropriately net off against the related interest costs. Management has agreed to amend the accounts to reflect the correct classification.</p>	<p>Interest income Dr. – 238</p> <p>Interest expense Cr. – (238)</p>	Nil	Nil	Nil
Overall impact	Total comprehensive income decreased by (386.8)	Net assets decreased by (386.8)	Decrease by (386.8)	Nil

Audit adjustments (continued)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit. We recommend management to revise the final set of financial statements based on these findings.

Other than below, there are other minor disclosure typographical, referencing, casting and descriptive errors that have been processed in the different areas of the financial statements. None of these are individually significant enough to warrant separate disclosure.

Disclosure/issue/Omission	Auditor recommendations	Adjusted in the financial statements
<p>Note 2.13 Inventories</p> <p>From our review, we identified that the current accounting policy states two costing formula for the inventories i.e. FIFO and weighted average costing that is relevant to inventory for fuel, salt and wood. However, It is not appropriate for the property inventory as the costs are specifically allocated to the assets and are not interchangeable with other properties. Therefore, management should disclose the accounting policy related to recognition of property inventory separately.</p>	<p>We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.</p>	<p>Management agreed to make the changes.</p>
<p>Note 10 Property, plant and equipment</p> <p>1) Based on our testing of PPE additions during the year, we identified that £213k of capital expenditure has been incorrectly classified under Land and Buildings. These costs relate to projects that are not yet complete and therefore should have been recorded as Assets Under Construction in accordance with the applicable accounting policies.</p> <p>2) During our testing of PPE additions for the year, we identified that the total additions disclosed in the note do not reconcile to the underlying additions listing, with the disclosed additions being overstated by £359k. Through inquiries with management, we understand that this variance arose due to an error in preparing the note, whereby £359k was inadvertently included within additions instead of being included within depreciation. This disclosure error has resulted in an incorrect presentation of additions and depreciation, therefore, requires correction.</p>	<p>We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.</p>	<p>Management agreed to make the changes.</p>

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted in the financial statements
<p>Note 12 Financial instruments</p> <p>1) We have identified that an additional note is required in the financial statements to explain the Council's investment in subsidiaries. The note should clarify that the investment in Quercus 7 Limited is held at cost in accordance with the requirements of IAS 27 – Separate Financial Statements and is subject to an annual impairment assessment in line with IAS 36 – Impairment of Assets. The note should also summarise the outcome of management's impairment review.</p> <p>2) In addition, the note should explain that the Council holds 100% ownership of Quercus Housing Limited; however, no investment is recognised in the financial statements because the company is limited by guarantee under the Companies Act, and therefore no share capital or investment cost is recorded.</p>	<p>We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.</p>	<p>Management agreed to make the changes.</p>
<p>Note 26 Officers' remuneration</p> <p>1) Other emoluments for the Chief Executive needs to be updated from £8,116 to £7,000 to remove returning officer fees that inadvertently included twice in the original calculation.</p> <p>2) The remuneration band table requires updating to reflect the correct employee numbers. Employees in the £60,001–£65,000 band should be revised from 6 to 5, and those in the £65,001–£70,000 band should be revised from 8 to 9.</p> <p>3) In the table disclosing exit packages, we identified that a redundancy payment to one of the employees amounting £3.7k have been omitted from the disclosure and therefore needs to be included.</p>	<p>We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.</p>	<p>Management agreed to make the changes.</p>
<p>Note 29 Related party transactions</p> <p>The note should clearly state whether or not any material related party transactions were identified through members or senior officers for 2024/25 and if material transactions and balances exist, those should be disclosed separately. Additionally, the note should clearly cross-refer to the subsidiary-related party disclosures including nature of relationship, transactions, balances, and terms as disclosed in Note 40.</p>	<p>We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.</p>	<p>Management agreed to make the changes.</p>

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted in the financial statements
<p>Note 34. Defined benefit pension schemes</p> <p>We have identified following changes required in the disclosure as a result of our work on net pension liability:</p> <ol style="list-style-type: none"> 1) The duration of liability needs to be updated from 16 years to 15 years, and the Rate of Inflation (RPI) needs to be updated to 3.2% from 3.25%. 2) Within 'Return on Asset' disclosure, the percentage of return needs to be updated to 3.32% from 3.76%. 3) Within the sensitivity analysis narrative, present value of the total obligation needs to be updated to £121.6 million from £135 million. 4) The table presenting the sensitivity analysis is missing and needs to be included, consistent with the prior-year disclosure with values updated from current year's actuary report. 5) The table presenting the projected pension expense for next year needs to be included, consistent with the prior-year disclosure with values updated from current year's actuary report. 6) Rate of inflation disclosed in the table of assumptions, presented under 'Basis for Estimating Assets and Liabilities' heading should be updated to 'RPI' than 'CPI' in line with the actuary report. 7) In the 'Reconciliation of the movements in defined benefit obligation' table, the amount for 'Contributions by scheme participants' needs to be updated to £966k from £961k. 8) In the 'Reconciliation of movements in the fair value of scheme assets' table, the prior year amount for 'Settlement Prices received/(paid)' needs to be shown as nil. 9) In the 'Pension Assets and Liabilities recognised in the balance sheet' table, the description narrative of total line is missing. <p><i>(continued overleaf)...</i></p>	<p>We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.</p>	<p>Management agreed to make the changes.</p>

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted in the financial statements
Note 34. Defined benefit pension schemes (continued)		
10) In the table showing the movements within the CIES, the line titled ‘Other’, amounting to £13.99 million, needs to be presented as a breakdown between ‘Experience gain/(loss) on defined benefit obligation’ of (£319k) and ‘Changes in the impact of the asset ceiling’ of £14,297k, in line with the actuary’s report.	We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.	Management agreed to make the changes.
11) In the table showing the movements within the CIES, administrative expenses are presented separately and are not included within the net interest expense. Therefore, the description of the line ‘Net Interest Expense (includes administration expense)’ should be amended to remove the reference to the inclusion of administrative expenses. In addition, the prior-year figure for net interest expense should be restated to show a separate breakdown, with administrative expenses of £109k presented within the appropriate line and £590k shown within the net interest expense line.		
12) A disclosure relating to the McCloud and Sargeant judgments, together with a conclusion on whether these rulings are expected to have any material impact on the 2024–25 accounts, needs to be included in line with the prior-year.		
13) A disclosure explaining risks in relation to pension including investment risk, interest rate risk, inflation risk and longevity risk needs to be included in line with the prior-year.		
14) The amount for ‘Remeasurement of the net defined benefit liability’ disclosed in the CIES needs to be updated from £1,786k to £1,802k to ensure consistency with the note.		
15) The reconciliation of change in impact of asset ceiling should be disclosed along with narrative description in line with the actuary report.		

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted in the financial statements
Collection fund statement and its related disclosures	We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.	Management agreed to make the changes.
<ol style="list-style-type: none"> 1) Collection Fund Statement – Income from business ratepayers will be updated to £37,429k from £40,418k as per the NNDR 3 form. Accordingly, the NNDR surplus/deficit figure as at 31 March 2025 will be updated to £1,121k. This change was suggested by management, and we were unable to verify the accuracy of this adjustment due to insufficient time ahead of the backstop deadline. 2) Note 2 - The NDR income after reliefs and provisions should be £39,035,928 instead of £37,425,150 for 2024/25. We also noted that the rateable values disclosed are inconsistent with the VOA schedules. The correct current-year and prior-year values should be £109,751,959 and £109,471,119, instead of £109,650,459 and £109,218,969, respectively. 3) Note 3 - The estimated council tax surplus should be £2,327,204 instead of £83,595 as per the council tax model. Additionally, NNDR actual surplus disclosed as amounting to £1,867,000 for the year ended March 2025 will be updated to the deficit of £1,120,579 as per updated Collection Fund Statement. 	We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.	Management agreed to make the changes.
Other information – Annual Governance Statement (AGS) The Annual Governance Statement (AGS) should comment on the significant weaknesses that have been identified as part of the Value for Money (VfM) audit in relation to Council’s close down and financial reporting process.	We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.	Management agreed to make the changes.
Group balance sheet and CIES During our TB to FS Reconciliation work, we have noted the below inconsistencies that requires correction on Group Balance Sheet and CIES: <ol style="list-style-type: none"> 1) Revenue grants receipts in advance on group balance sheet should be £284k instead of £446k. 2) Total net expenditure as per group CIES should be £15,594k instead of £20,239k. 	We recommend that the relevant notes and disclosures within the financial statements are updated accordingly.	Management agreed to make the changes.

Audit adjustments (continued)

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 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 general fund £'000	Impact on unusable reserves £'000	Reason for not adjusting
<p>Overstatement on the pension fund liability</p> <p>The audit of the Kent Pension Fund (KPF) identified a difference in net assets due to issues in the data shared with the actuary by KPF and a difference in the valuation of investments between the draft financial statements and the underlying supporting evidence. The Council's share of these adjustments resulted in overstatement of net pension liability by £408k.</p> <p>However, the management has chosen not to adjust for these amount, considering it immaterial.</p>	Cr. Remeasurement of net pension liability (OCI) – (409)	Dr. Pension liabilities – 409	Nil	409	The management has not adjusted as this is below materiality.

Audit adjustments (continued)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on general fund £'000	Impact on unusable reserves £'000	Reason for not adjusting
<p>Fair value change on Investment in multi-asset income funds and shares of municipal bond agency</p> <p>Based on our procedures, we identified that investments designated at fair value through profit or loss (FVPL) are recorded at cost rather than fair value at year-end. The Multi-Asset Income Funds are recorded at £5 million instead of their confirmed fair value of £5.164 million, resulting in an unrecognised fair value gain of £164k. In addition, the investment in the Municipal Bond Agency is held at £50k cost, whereas discussions with management indicate the agency's net assets are negative, suggesting the fair value should be nil and a fair value loss of £50k should be recognised. The net impact of these adjustment is £114k gain. Both adjustments should be recorded through the CIES, with the resulting General Fund impact reclassified to a new Fair Value Reserve within Unusable Reserves.</p> <p>However, the management has chosen not to adjust for these amount, considering it immaterial.</p>	Cr. FV income – (114)	Dr. Investments – 114 Dr. General fund – 114 Cr. Fair value reserve (Unusable) – (114)	Nil	114	The management has not adjusted as this is below materiality.

Audit adjustments (continued)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on general fund £'000	Impact on unusable reserves £'000	Reason for not adjusting
<p>Cash-in-transit incorrectly carried forward from last year</p> <p>During the audit of cash and cash equivalents, we identified that cash-in-transit amounting to £79k relating to FY24 was incorrectly carried forward into the FY25 cash balance. This occurred because the reversal journal entry for the prior-year cash-in-transit was not posted. As a result, the reported cash balance was overstated by the amount of the unreversed entry. However, management has chosen not to adjust for this amount, considering it immaterial.</p>	Dr. Fees, charges and service income – 79	Cr. Cash and cash equivalent – (79)	(79)	Nil	The management has not adjusted as this is below materiality.
Overall impact	Total comprehensive income increase by 444	Net assets increase by 444	Decrease by (79)	Increase by 523	

Impact of issues that are not yet concluded

The table below presents details of issues for which we were unable to reach a conclusion during the 2024/25 audit due to time constraints in meeting the backstop deadline, therefore as per our agreement with management, we have backstopped our testing for these areas for the current year. We kindly request that management thoroughly assess these misstatements and make any necessary adjustments in their records.

Detail	Auditor recommendations
<p>Accounting for IFRS 16</p> <p>Based on our review of the accounts, we noted that the disclosures required under IFRS 16 including the relevant accounting policy, key estimates and judgement, right of use asset and lease liability have not been updated in the draft accounts from the previous accounting standard.</p> <p>Due to insufficient information, ahead of backstop deadline, we were unable to determine how material the missing disclosures are to the accounts and whether any adjustment was required.</p>	<p>We recommend that management identifies the amount required to be corrected and the disclosures to be included and make the necessary adjustments.</p>
<p>Difference in fees, charges and other income reconciliation to the financial statements</p> <p>During our audit of the reconciliation of fees, charges and other income as per ledger to the financial statements, we identified an unreconciled difference of £4.9 million.</p> <p>Due to insufficient information, ahead of backstop deadline, we were unable to determine the reason for the variance and whether any adjustment was required.</p>	<p>We recommend that management investigates the difference and make the necessary adjustment if required.</p>
<p>Difference in operating expenditure reconciliation to the financial statements</p> <p>During our audit of the reconciliation of operating expenditure as per ledger to the financial statements, we identified an unreconciled difference of £695k.</p> <p>Due to insufficient information, ahead of backstop deadline, we were unable to determine the reason for the variance and whether any adjustment was required.</p>	<p>We recommend that management investigates the difference and make the necessary adjustment if required.</p>

Impact of issues that are not yet concluded (continued)

Detail

Auditor recommendations

Long-term debtors

This includes loans provided to subsidiary companies, recorded at amortised cost under IFRS 9. According to the requirement of the CIPFA Code, the recording of loans given should be at the present value of future cash flows at the effective interest rate (market rate) instead of the nominal interest rate. We requested an assessment from management to determine whether the nominal rate and effective rate are the same in this case. If they are different, any impact on initial recognition and interest income will need to be corrected in the financial statements.

Due to insufficient information, ahead of backstop deadline, we were unable to determine the impact of this calculation would have and whether any adjustment was required.

We recommend that management identifies the amount required to be corrected and make the necessary adjustments.

Minimum Revenue Provision

On reviewing management's workings for the Minimum Revenue Provision (MRP) calculation for the year, we identified that MRP has not been charged on loans provided to the subsidiaries, despite this being required under the MRP guidance approved by Full Council. Through discussion with management, we confirmed that this treatment has not been applied in previous years as well. However, because MRP should have been accrued, this omission is likely to affect prior periods as well.

Due to insufficient information, ahead of backstop deadline, we were unable to determine the impact, this omission would have, and whether any adjustment was required.

We recommend that management identifies the amount required to be corrected in each period and make the necessary adjustments.

Review comments on the draft financial statements

As part our review of the draft financial statements, we identified a number of queries that were shared with the management, however we did not receive the response for all the queries raised. Those queries may result in changes in the draft financial statements.

Due to insufficient information, ahead of backstop deadline, we were unable to determine whether any adjustments were required.

We recommend that management assess the queries to determine if the amounts and disclosures in the financial statements are required to be corrected and make the necessary adjustments.

Current year recommendations

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. For control deficiencies related to IT, please refer section 6 of the report.

Assessment	Issue and risk	Recommendations
<p>● High</p>	<p>CYR#1 - Accounting for IFRS 16</p> <p>IFRS 16 Leases became mandatory for all Local Government bodies from 1 April 2024. The standard changes how leases are recognised, measured, presented, and disclosed, replacing the previous leasing requirements under IAS 17.</p> <p>During this year’s audit, we did not receive a complete assessment from management on the implementation of IFRS 16. We were given a list of lease agreements in place at the end of the year, but we could not confirm whether it was complete or accurate because we did not receive information that reconciled it to last year’s leases, new leases entered during the year, including any peppercorn leases.</p> <p>We also did not receive calculations showing the impact of IFRS 16 on the financial statements, including how leases previously treated as operating or finance leases under the old standard were reclassified.</p> <p><i>(Continued overleaf)...</i></p>	<p>We recommend that management should complete a full assessment of all lease arrangements required under IFRS 16 and ensure this is supported by a clear audit trail. This should include a complete and accurate lease register that reconciles to prior year information, new leases entered during the year including any peppercorn leases. Management should also prepare the necessary IFRS 16 calculations to show the impact of the standard on the financial statements, including the reclassification from the previous leasing approach. In addition, management should update all required IFRS 16 disclosures in the financial statements.</p> <p>Completing these steps will enable us to verify the completeness and accuracy of the implementation and will ensure the accounts fully comply with the accounting standard.</p>

Assessment

- 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

Current year recommendations (continued)

Assessment	Issue and risk	Recommendations
	<p>CYR#1 - Accounting for IFRS 16 (continued)</p> <p>Based on our review of the accounts, we noted that the disclosures required under IFRS 16 including the relevant accounting policy, key estimates and judgement, right of use asset and lease liability have not been updated in the draft accounts from the previous accounting standard.</p> <p>Without the supporting information, we cannot assess how significant these missing disclosures may be and have therefore included this in the list of matters not concluded ahead of backstop deadline.</p>	<p>Management response</p> <p>Significant work was undertaken collate information to identify and assess the leases. Leased vehicles are already capitalised and are coded separately in the ledger along with the lease liability being recognised in the balance sheet. A full review of the process will be carried out to identify improvements and ensure disclosures are compliant with the code. Additional work in this area was paused due to the backstop position and resource constraints.</p>
<p>● High</p>	<p>CYR#2 - Minimum Revenue Provision (MRP) Calculation</p> <p>On reviewing management's workings for the Minimum Revenue Provision (MRP) calculation for the year, we identified that MRP has not been charged on loans provided to the subsidiaries, despite this being required under the MRP guidance approved by Full Council. Through discussion with management, we confirmed that this treatment has not been applied in previous years as well. However, because MRP should have been accrued, this omission is likely to affect prior periods as well. Additionally this may result in the non-compliance with the Local Authorities (Capital Finance and Accounting) Regulations 2003.</p> <p>We were not able to quantify the impact of this issue before the backstop deadline due to insufficient information. As a result, this matter has been included in the list of unresolved items ahead of the backstop deadline, as outlined in section 8 of the report.</p>	<p>We recommend that management undertake an exercise to ensure it has calculated and recorded MRP on all capital loans, including those provided to subsidiaries, as required by the MRP guidance approved by Full Council. As this is a statutory requirement, the current omission may represent potential non-compliance and should be addressed promptly. It is important that management prepares and maintains full supporting workings for audit next year.</p> <p>Management response</p> <p>We will undertake a full review of MRP for 2025/26 including the consideration regarding the subsidiary loans. This issue was raised late in the audit process and was not able to be reviewed for 2024/25.</p>

Assessment

- 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

Current year recommendations (continued)

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>CYR#3 - Cleansing of transaction listing for fees, charges and other income</p> <p>In our review of fees, charges and other income, we identified that the transaction listings provided by management for the year included recharges to cost centers that did not impact the income for the year. Despite our request, management was unable to provide a cleansed listing as it is difficult to find the offsetting transactions against the original transaction since they do not match individually and therefore requires a manual process to remove those transactions that do not impact the total amount of income during the year.</p> <p>This hindered our ability to select the sample, resulting in the inability to obtain assurance over the occurrence and accuracy of fees, charges and other income amount reported in the financial statements as of 31 March 2025.</p>	<p>Management should ensure when posting recharges, that the audit trail for these transactions are clear and they are posted in a way such that management are able to extract this sub-set of transactions for audit inspection.</p> <p>Equally, recharges should still be supported by evidence to explain the rationale for the recharges.</p> <p>Management response</p> <p>This issue was in part caused by the way the working paper is constructed, pulling through balances although this has been previously audited. A review of how the working paper is set up along with categorisation of spend is proposed. This should make the process easier for future years.</p>

Assessment

- 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 15 recommendations being reported in our 2023/24 Audit Findings Report. Since last year, three medium-level and one-low level recommendation have been addressed. We have provided update on prior year recommendations as follows:

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
 High	x	<p>PYR#1 - Deficiency in Council’s close-down and financial reporting process</p> <p>The external audit of the Council’s financial statements has been challenging for 2023/24. There are several factors which have contributed to delays, but a key factor has been the arrangements the Council has in place to facilitate the audit in terms of providing evidence in a timely manner. The finance team has faced conflicting priorities between the audit and the budget-setting process for the year 2025/26, further impacting the audit process.</p> <p>To regain assurance, the Council must first be able to produce materially accurate accounts and go through the external audit process on its closing balances and transactions in year. Despite auditing the financial statements for over 4 months, we have not been able to get through the substantial amount of our planned work.</p> <p><i>(continued overleaf)...</i></p>	<p>Prior year recommendation:</p> <p>The Council needs to improve and strengthen its overall arrangements to produce and facilitate the external audit of the financial statements within the statutory deadlines. Key aspects to strengthen include:</p> <ul style="list-style-type: none"> • capacity of the finance team to respond to queries; • providing a full suite of working papers on day 1 of the audit including fully reconciled and cleansed transactions listings; • evidence for transactions retained as a matter of course so that they are available on request <p>We recognise that some of these improvements will need to be iterative and cannot all be achieved in a single year. What we expect however is progress on our recommendations such that the amount of work we are able to complete in 2024/25 dramatically improves.</p>

Assessment

-  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

Resolution

-  Action completed
-  Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
		<p>PYR#1 - Deficiency in Council's close-down and financial reporting process (continued)</p> <p>The inability to complete our testing for these areas was due to challenges related to delays and non-receipt of the relevant workpapers and supporting evidence. These delays in obtaining reconciled workpapers or supporting evidence represents a significant deficiency in the Council's close-down and financial reporting process.</p> <p>It is imperative for management to properly maintain the council's underlying records, prepare appropriately reconciled workpapers, and make them available for the audit. Timely and accurate provision of supporting evidence is essential for the smooth conduct of the audit and the overall reliability of the financial reporting process.</p> <p>Update for the current year:</p> <p>Despite management's willingness and ambition to improve, these efforts have not yet delivered tangible results. As outlined in section 1 of the report, this is principally due to two underlying issues; system and processes constraints and skills and capacity challenges within the finance team.</p>	<p>Prior year management's comments:</p> <p>The audit has again been scheduled so that it will clash with budget setting, which will mean that the audit process will continue to be a challenge.</p> <p>Early engagement with audit will be done, both at the planning stage in March and on completion of the accounts in June and into July. Uploading of complete and final working papers to the agreed schedule of requests should ensure that some of the burden of work on SDC staff is undertaken ahead of the busy budget setting period.</p> <p>Appointment of an interim member of staff who will solely work on production of the 2024/25 accounts. The individual has significant accounts experience across many councils and commenced on 17/03/25.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
		<p>PYR#1 - Deficiency in Council's close-down and financial reporting process (continued)</p> <p>Update for the current year (continued):</p> <p>While we have noted improvements in certain areas, such as housing benefits, payroll and pension liabilities, helping us gain assurance more efficiently, the majority of areas still require considerable enhancement to be auditable.</p> <p>We have raised a significant weakness relating to financial reporting in our value for money work. It is important to note that if the Council does not make substantial progress in the coming year, we may need to consider exercising additional auditor powers, including issuing a statutory recommendation. This remains a high-priority area and requires prompt attention in light of government deadlines for backstopping the audits moving forward as explained in section 1 of the report.</p>	<p>Current year management's comments:</p> <p>Whilst we have made improvements in certain areas resource constraints, caused by the departure of the previous Head of Finance and compounded by the timing of the audit, have meant improvement has not been as marked as we would have anticipated. Although an interim resource was obtained to assist with closedown it was not possible to retain them for the audit period and this did not result in the transformative effect anticipated. Additional measures are being put in place to respond to the issues created by the resourcing issues. These include the appointment of an Accountancy Manager in December 2025 and further approval for additional resources. This includes external expertise in addition to a new post within the accountancy team.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● High</p>	x	<p>PYR#2 - Fixed Asset Register (FAR)</p> <p>The Council does not have a Fixed Asset Register which reconciles to the trial balance and the financial statements. The value of the Council's assets is over half a billion and it is unacceptable for the Council to not have proper accounting records in place to support them. Without a reconciled fixed asset register, the audit of your Property, Plant and Equipment (PPE) is not possible.</p> <p>We understand from discussions with management that the issues with the Fixed Asset Register arose when the Council implemented a new fixed asset module in a previous accounting period. It resulted in assets built by the Council for resale (classified as inventory) being erroneously included in the fixed asset register. Additionally, useful lives, revaluation, disposals, and other entries for the year were inaccurately reflected against individual assets in the FAR, leading to erroneous closing balances for individual assets.</p> <p><i>(continued overleaf)...</i></p>	<p>Prior year recommendation:</p> <p>We recommend that management rectify and reconcile the fixed asset register and adjust balances and disclosures as necessary to accurately reflect balances and transactions in the financial statements.</p> <p>Prior year management's comments:</p> <p>Whilst the asset register was fully reconciled to the previous records at migration, issues in set up of the system and underlying transactional processing priorities within the asset register caused problems with the automated transactions. Transactions were reviewed and corrected before posting to the ledger, but due to timing it was not possible to perform a full reconciliation in time for a full audit of this area. The decision to backstop (i.e. not complete the audit work) was taken early and therefore reconciliation was not prioritised due to the volume and urgency of other audit queries.</p> <p>Assets will be reconciled to the closing ledger balance for 2023/24. Full reconciliation of the asset register to the general ledger to be maintained during the 2024/25 closedown process.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
		<p>PYR#2 - Fixed Asset Register (FAR) (continued)</p> <p>Update for the current year:</p> <p>We did not receive a reconciled Fixed Asset Register (FAR) from management in the current year. As a result, we were unable to select samples for the valuation of land and buildings. Given that property, plant and equipment, surplus assets and investment properties total £115.5 million and represent 74% of the Council’s total assets, obtaining a complete and reconciled FAR is critical to enable us to gain assurance over these areas. It is therefore essential that this is treated as a high-priority matter.</p>	<p>Current year management’s comments:</p> <p>Whilst the asset register remains unreconciled for PPE it is not believed that the difference is significant and values remain close to the levels at migration, which was correct. The additional resources available will ensure capacity to complete the reconciliation.</p>
<p>● High</p>	<p>×</p>	<p>PYR#3 - Maintenance of underlying source data and other workpapers for valuation of land and buildings and investment properties</p> <p>We noted that the evidence of source data used by the valuer for the computation of the value of assets for land and buildings and investment properties, including floor area for buildings, land area for developed and undeveloped land, built year, and source for income derived for car parks, was not provided by management for the samples selected by us. It is very pertinent for the verification of the valuation of assets valued during the year.</p> <p><i>(continued overleaf)...</i></p>	<p>Prior year recommendation:</p> <p>We recommend that management conduct an internal assessment of the information maintained for the assets subject to revaluation to ensure it is readily available for audit purposes. Furthermore, management should perform an assessment for assets not revalued during the year, to confirm that the valuation for those assets has not materially changed, thus requiring formal revaluation as per the CIPFA code.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
		<p>PYR#3 - Maintenance of underlying source data and other workpapers for valuation of land and buildings and investment properties (continued)</p> <p>Furthermore, we did not receive the workpaper for revaluation movements recorded during the year for each asset. This information is critical for the audit of the accounting for revaluation. Additionally, management did not provide an assessment for assets that have not been revalued during the year including surplus assets, to ascertain if the valuation of assets not subject to revaluation has materially changed. This assessment is required to be performed by the management in line with the requirements of the CIPFA Code.</p> <p>Consequently, we were unable to obtain assurance over the valuation of land and buildings and investment properties as at year end and determine if any adjustment is required to the financial statement.</p> <p>Update for the current year:</p> <p>The same issue persists in the current year, and we have been unable to obtain assurance in these areas.</p>	<p>Prior year management's comments:</p> <p>Differences in source data identified were not deemed material by the Asset Surveyor. Given the decision to backstop this area it was not considered a priority in terms of sharing information. The valuation listings and working papers were supplied to Grant Thornton (GT).</p> <p>Work has already commenced to verify information held by the valuers and ensure that it is updated as necessary. Early engagement with the valuers and discussions with the property team should improve the process.</p> <p>Current year management's comments:</p> <p>Work was carried out in advance of year end to establish information held by the valuers to ensure it was accurate, and in line with what is held by the Council. Updated rental values were shared with valuers based on the invoiced amounts for the financial year. Additional work is required to ensure that the correct lease agreements are held and that where rents are indexed working papers are maintained. Finance will work with property and the valuers to ensure these values agree and evidence is collected in advance of the audit.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p> High</p>	x	<p>PYR#4 - Reconciled working paper for Capital Financing Requirements (CFR)</p> <p>The Capital Financing Requirement (CFR) is an important balance for all Councils. It represents the cumulative level of capital expenditure which is yet to be financed. Consideration of the current and future level of the CFR is central to decisions the Council might make around capital investment and what a prudent level of the minimum revenue provision (MRP) ought to be.</p> <p>From an accounting and reporting perspective, a fundamental artefact to prove the integrity of the financial statements is the 'CFR balance sheet check'. This is a reconciliation which ties in the CFR balance as at the year end to the balance sheet. We consider this as one of the core working papers management produces to assure themselves that the accounts are materially accurate.</p> <p>We performed ourselves the 'balance sheet check of the CFR' in July which identified material variances. This is not uncommon as there could be very good reason for the variances, or it is possible our calculation has failed to account for something.</p> <p><i>(continued overleaf)...</i></p>	<p>Prior year recommendation:</p> <p>We recommend management timely produce annually a reconciled CFR balance sheet check as part of their internal processes to produce the financial statements.</p> <p>The CFR balance sheet check should be made available to your auditors at the start of the audit and prove that there are no material variances.</p> <p>Prior year management's comments:</p> <p>Although the CFR Balance sheet check had identified a difference it was hoped that this would be resolved through the review and reconciliation of fixed assets.</p> <p>The CFR will be reconciled and provided to audit ahead of the final audit.</p>

Assessment

-  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

Resolution

-  Action completed
-  Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
		<p>PYR#4 - Reconciled working paper for Capital Financing Requirements (CFR) (continued)</p> <p>Management were not able to provide a response immediately proving the draft accounts were produced without this important check. Only in December 2024 did management provided the workpaper which had the balance sheet check but still had a variance.</p> <p>Update for the current year:</p> <p>We did not receive the CFR balance sheet check from management for the current year. Consequently, we performed our own balance sheet reconciliation of the Capital Financing Requirement, which identified material variances requiring management clarification. No response was received from management prior to the backstop deadline.</p> <p>Furthermore, we were unable to reconcile movements in the Capital Financing Requirement to other areas of the financial statements due to the absence of the necessary supporting explanations. The queries raised with management in relation to these movements also remained unanswered ahead of the backstop deadline.</p>	<p>Current year management's comments:</p> <p>The CFR working paper is tied to the reconciliation of Fixed assets. These workings were discussed with the audit team and some issues identified were resolved, however as this area was backstopped work on this area was not further progressed. Additional work will be carried out alongside the fixed asset reconciliation to ensure the CFR is reconciled.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● High</p>	x	<p>PYR#5 - Cleansing of transaction listing for short-term debtors and payments in advance</p> <p>In our review of the short-term debtors and payments in advance, we found that the transaction listings provided by management forming the closing balance as at year-end included settled transactions and their reversals, which had no impact on the closing balance.</p> <p>Despite our request, management was unable to provide a cleansed listing due to the difficulty in finding offsetting transactions against the original ones, as they do not match individually thus requiring a manual process to remove those transactions that do not impact the closing balance.</p> <p>This hindered our ability to select the correct sample, resulting in the inability to obtain assurance over the existence and accuracy of short-term debtors and payments in advance balance reported in the financial statements as of 31 March 2024.</p> <p><i>(continued overleaf)...</i></p>	<p>Prior year recommendation:</p> <p>Management must perform work to ensure that transactions listings provided for short-term debtors and prepayments include only open items as at the balance sheet check.</p> <p>This is something that will require management to think about the way accruals are posted in year and especially at year end such that contra and closed items can be easily identified.</p> <p>Prior year management's comments:</p> <p>Historically we have not reversed accruals until they have been realised. This has resulted in balances brought forward. This issue has not been raised in previous audits.</p> <p>Outstanding accruals are routinely reviewed, however all accruals will be reversed. If they are still genuinely outstanding then items will be accrued again. This will improve the ability to identify the transactions which make up the balance on a balance sheet code.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
		<p>PYR#5 - Cleansing of transaction listing for short-term debtors and payments in advance (continued)</p> <p>Update for the current year:</p> <p>Management undertook cleansing procedures during the current year and provided an updated listing, with the exception of Collection Fund debtors' balance. We observed notable improvements in the accuracy of the information provided. However, as a cleansed listing for the Collection Fund debtors was not made available, we were unable to select samples for testing from this population.</p> <p>In addition, for the Housing Benefit overpayment samples selected, we were unable to complete our testing due to delays and insufficient information, ahead of the backstop deadline.</p> <p>If management is able to produce a fully cleansed listing covering the complete short-term debtors and payments in advance balances, including the Collection Fund, and provide timely and sufficient supporting evidence and responses to audit queries in the next financial year, this would support the resolution of this control recommendation.</p>	<p>Current year management's comments:</p> <p>Work was carried out to cleanse the listings and reverse prior year balances. Outstanding issues will be reviewed and resolved.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● Medium</p>	x	<p>PYR#6 - Cleansing of transaction listing for operating expenses</p> <p>In our review of the other operating expenditures, we identified that the other operating expenses transaction listings provided by management for the year included recharges to cost centers that did not impact the operating expenses for the year.</p> <p>Despite our request, management was unable to provide a cleansed listing as it is difficult to find the offsetting transactions against the original transaction since they do not match individually and therefore requires a manual process to remove those transactions that do not impact the total amount of expense during the year.</p> <p>This hindered our ability to select the correct sample, resulting in the inability to obtain assurance over the occurrence and accuracy of other operating expense amount reported in the financial statements as of 31 March 2024.</p> <p>Update for the current year:</p> <p>This issue remains unresolved in the current year, and therefore the control recommendation continues to be relevant. For the listing of operating expenses to be auditable, it is essential that it is appropriately cleansed to include only in-year actual expenditure and exclude internal recharges.</p>	<p>Prior year recommendation:</p> <p>Management should ensure when posting recharges, that the audit trail for these transactions are clear and they are posted in a way such that management are able to extract this subset of transactions for audit inspection.</p> <p>Equally, recharges should still be supported by evidence to explain the rationale upon which costs are recharged.</p> <p>Prior year management's comments:</p> <p>Coding structures and other processes require a level of recharges in order to ensure costs are accurately reflected in services. These processes have long been in place and have been previously subject to audit.</p> <p>Review operating expenses to ensure expenditure can be more easily related to source charges and therefore linked to third party documentation as appropriate. Some recharges have been eliminated as part of budget setting for 2025/26, but this is not going to impact the information for 2024/25.</p> <p>Current year management's comments:</p> <p>As per Fees and Charges, the subjective analysis working paper requires additional work to ensure accuracy and that balances disclosed can be tracked back to transactions.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● Medium</p>	x	<p>PYR#7 - Expected credit loss (ECL) calculation</p> <p>During our audit, we have not received the workpaper for the expected credit loss (ECL) calculation for receivable balances as at year-end, including receivable from subsidiaries. Consequently, we have been unable to verify the reasonableness and completeness of the allowance for impaired receivable estimate.</p> <p>Update for the current year:</p> <p>We have not received the working paper in the current year as well. Unfortunately, this issue remains unresolved in the current year, and therefore the control recommendation continues to be relevant.</p>	<p>Prior year recommendation:</p> <p>We recommend that management promptly prepares the workpaper for the expected credit loss (ECL) calculation for receivable balances based on a thorough analysis and documentation of the basis for the probability of default percentages. This will enable accurate verification of the allowance for impaired receivable balances and ensure a fair representation of the associated credit risks in the financial statements.</p> <p>Prior year management's comments:</p> <p>This working paper had not previously been specifically requested and therefore had not been produced prior to the audit starting. For future years, an ECL working paper will be prepared to record considerations in this area.</p> <p>Current year management's comments:</p> <p>ECL will be reviewed to ensure allowances are accurate.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● Medium</p>	x	<p>PYR#8 - Movement in reserves statement (MIRS) and related reserve notes consistency with other areas of financial statement</p> <p>During our review of the financial statements, we identified inconsistencies in the movements disclosed in the movement in the reserves statement (MIRS) and associated reserves notes compared to the other notes in the financial statements.</p> <p>Queries were raised to management but have not been fully resolved. This has led us to raise a general control recommendation around the process to produce and support the MIRS.</p> <p>Update for the current year:</p> <p>We have not received the working paper for MIRS and related notes in the current year as well. During our review of the financial statements, we also identified several queries for which management was unable to provide responses before the backstop deadline. As this matter has not been resolved, the control recommendation raised in the prior year continues to remain relevant.</p>	<p>Prior year recommendation:</p> <p>We recommend that management implements a process to reconcile the movement in reserves with other notes to the financial statements, ensuring accurate balances of reserves and its disclosures at the year-end. By establishing this process, management can enhance the reliability and accuracy of the financial statements and associated disclosures.</p> <p>Prior year management's comments:</p> <p>There was a small difference identified on the MIRS which was not considered material. Review of the MIRS working paper will be done to identify possible issues and build in controls to ensure that it balances and agrees to the other areas of the financial statements.</p> <p>Current year management's comments:</p> <p>Work has been carried out to ensure consistency across the accounts with additional cross checks incorporated into the working papers. This will be further reviewed to ensure consistency for the 2025/26 accounts.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● Medium</p>	x	<p>PYR#9 - Accounting for Inventory</p> <p>Upon reviewing the inventory, the following issues were identified:</p> <ol style="list-style-type: none"> 1) Management did not provide an assessment regarding the appropriate classification of properties as inventory, including documentation of their purpose or use. 2) The listing of purchases during the year includes various expenditures, such as surveying services, site visit costs, salaries, architectural fees, etc. However, it is unclear whether these relate to fully constructed properties or those still under construction. 3) Balances under the Assets Under Construction (AUC) heading in the property, plant, and equipment note were reclassified to Inventory. However, the Inventory note itself has a heading of "Property Constructed for Resale" for under construction properties held for resale. It is unclear whether an adjustment is required to correct both disclosures, and we were unable to obtain an understanding of the difference between the two. <p><i>(continued overleaf)...</i></p>	<p>Prior year recommendation:</p> <p>We recommend management to prepare a comprehensive accounting memorandum outlining the accounting treatment of properties held as inventory. This should include a clear explanation of the criteria used to classify properties as inventory and the justification for departure from CIPFA Code related to accounting policy. Furthermore, we recommend that management prepares and provides appropriate workpapers that gives a detailed breakdown of the movements of inventory during the year. These workpapers should support our audit procedures and enable us to thoroughly review and assess the inventory within the audit period, ensuring accuracy and completeness in the financial statements.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
		<p>PYR#9 - Accounting for Inventory (continued)</p> <p>4) We did not receive complete supporting evidence for the disposal of inventory during the year in the inventory disclosure note, making it difficult to gain understanding and assurance over the disposal.</p> <p>5) Supporting evidence for the samples shared for Assets Under Construction transferred from Property, Plant, and Equipment to Inventory was not provided.</p> <p>6) Management has disclosed a departure from the CIPFA code regarding the accounting for inventories. It has been stated that inventory is recorded at cost only, rather than at the lower of cost or net realizable value, and that the difference between cost and net realizable value is considered immaterial. However, an explanation describing the reason for the departure has not been provided. Additionally, if the matter is quantifiable as disclosed, management should record any difference as an expense in the financial statements if the net realizable value is lower than cost, without departing from the accounting policy.</p> <p><i>(continued overleaf)...</i></p>	<p>Prior year management's comments:</p> <p>The treatment of property which is constructed for sale to fund parts of the capital programme was audited by Grant Thornton as part of the 2020/21 audit and the opinion of their technical team was that this should be held as inventory rather than assets under construction.</p> <p>Officers did not agree with this approach but reluctantly made the relevant changes to enable the audit to progress. Whilst details of inventory were provided, the backstop approach for PPE mean that this was not fully concluded in the 2023/24 audit, but we are working towards a satisfactory conclusion in the 2024/25 audit. Memorandum to be prepared outlining the process.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
		<p>PYR#9 - Accounting for Inventory (continued)</p> <p>Based on the above issues, we were unable to obtain assurance over the inventories disclosed in the financial statements.</p> <p>Update for the current year:</p> <p>Following is the update on the above points for current year:</p> <ol style="list-style-type: none"> 1) We received management's assessment supporting the classification of the three relevant properties as inventory, and no issues were identified. However, we have not yet received the item-wise inventory listing or the supporting working papers needed to reconcile the closing inventory balance which enables sample selection. 2) The purchases listing provided during the year is still not classified by property. As a result, we are unable to distinguish between completed properties and those still under construction, which is required for appropriate disclosure. 3) We did not identify any movements from Assets Under Construction (AUC) to Inventory in the current year, hence not applicable in current year. <p>(continued overleaf)...</p>	<p>Current year management's comments:</p> <p>Memorandum regarding the classification was provided as agreed. Additions are classified by project, though not necessarily allocated to a specific components of the site. Due to ongoing issues with reconciliation of the Asset Manager system PPE as a whole was backstopped meaning that this area as a whole was not progressed.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
		<p>PYR#9 - Accounting for Inventory (continued)</p> <p>Update for the current year (continued):</p> <p>4) We did not receive a cost-based listing of disposals included in the inventory note. As a result, we were unable to obtain assurance over the disposals recorded during the year.</p> <p>5) We did not identify any movements from Assets Under Construction (AUC) to Inventory in the current year, hence not applicable in current year.</p> <p>6) Management has removed the departure from CIPFA from its accounting policy disclosed in the accounts. However we are unable to verify if inventory is stated at lower of cost or Net Realisable Value (NRV), due to insufficient information.</p> <p>Although some prior-year issues have been resolved or have not re-occurred, several matters remain outstanding. Therefore, the control recommendation continues to be relevant for the current year. Management must prepare and provide appropriate workpapers that clearly set out the detailed movements in inventory during the year and the closing balance at year-end. These workpapers should support our audit procedures and allow us to properly review and assess the accuracy and completeness of the inventory balance.</p>	

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● Low</p>	x	<p>PYR#10 - Journal entries approved outside the Agresso general ledger system</p> <p>In our review of the journal entry process, we found that the system has predefined approval limits. Entries below £10k require approval from the Head of Finance, while those above £10k or posted by the Head of Finance require approval from the S151 Officer. Subsequent to the posting of journals, the system automatically generates a weekly report of all posted entries based on the approval limits.</p> <p>This report is then sent via email to the approver, depending on their authorization limit. The approver reviews and approves the emails, and the email trails are stored on the Council's server by the finance team. However, the system lacks a built-in approval process for journal entries before they are posted to the general ledger, and there is no automated trail of the review of journal entries maintained within the system.</p> <p>(continued overleaf)...</p>	<p>Prior year recommendation:</p> <p>We recommend that Council integrates the authorisation control within the system based on the authorisation limits, so that effective trail is maintained for approval, and journals are reviewed and approved before being posted to the general ledger mitigating the risk of unauthorised journals being posted. We recognise that implementing this control is dependent on it being feasible within the Council's existing accounting system.</p> <p>Prior year management's comments:</p> <p>The journal e-mail is automatically produced by the system and sent directly to the approver. No individual can approve their own journals. In system approval is not currently available. Review once we have migrated to the cloud-based system.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
		<p>PYR#10 - Journal entries approved outside the Agresso general ledger system (continued)</p> <p>It is important to highlight that the absence of a built-in approval process in the system poses a risk, as potential fraudulent journals may be posted and overlooked without an automated trail of approval. Our testing revealed that the management maintains appropriate approval email trails, indicating a low-risk control deficiency.</p> <p>The control environment described above is typical across Local Government and so our recommendation here is made as a 'best practice' recommendation.</p> <p>Update for the current year:</p> <p>The recommendation is still relevant for current year as 'best practice recommendation and is mentioned here for completeness of the report.</p>	<p>Current year management's comments:</p> <p>This will be reviewed following the system upgrade which has completed at the end of January 2026. However, it is not anticipated there will be a change in this area. The automated nature of the e-mails and the logging of responses is considered sufficient to meet the requirement of review.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● Low</p>	x	<p>PYR#11 - S151 Officer (Chief Financial Officer) having journal entry posting rights in the Agresso general ledger system</p> <p>During our assessment of the journal process, we identified that the S151 Officer (Chief Financial Officer) has journal entry posting rights in the Agresso general ledger system. While we have not identified any journal entries posted by the S151 Officer during our testing, and therefore reported this as a low-level control deficiency, it is important to note that if an entry is posted by the S151 Officer, it may compromise the effectiveness of controls over journal entries due to the limited supervisory capacity in the approval process.</p> <p>Update for the current year:</p> <p>The recommendation is still relevant for current year as ‘best practice recommendation and is mentioned here for completeness of the report.</p>	<p>Prior year recommendation:</p> <p>We recommend that there is a review of user rights to the ledger system and consideration is made to whether the S151 Officer should have user rights to post journals.</p> <p>Prior year management’s comments:</p> <p>This is not considered an issue as the journals would be subject to review. No action proposed.</p> <p>Current year management’s comments:</p> <p>No action proposed.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● Medium</p>	✓	<p>PYR#12 - Review of expenditure being capitalised</p> <p>From our testing of additions in property, plant and equipment, we identified from our testing that the Council has capitalised a revenue expenditure in nature of repair that should have been charged as expense during the year. We have raised a pro-rated unadjusted misstatement amounting £126k to this effect.</p> <p>The fact that there was an error of this nature within our sample has led us to raise a control recommendation to ensure there is adequate review of capital expenditure to avoid errors of this nature in future periods.</p> <p>Update for the current year:</p> <p>In current year, we have not noted any issues in the additions testing related to the capitalised expenditures, hence this is resolved.</p>	<p>Prior year recommendation:</p> <p>We recommend that management conduct an internal assessment to ensure that a robust review is carried out to ensure expenses are properly reviewed before being capitalised to ensure accurate financial reporting.</p> <p>Prior year management's comments:</p> <p>Capital codes are reviewed as part of the closedown process before capitalisation takes place.</p> <p>SDC will ensure that reviews continue to be carried out and that expenditure coded to capital relates directly to the acquisition, construction or enhancement of the asset.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● Medium</p>	✓	<p>PYR#13 - Completeness of related parties listing</p> <p>During our testing of related parties, we compared the related parties' listing maintained by management with the register of interests filed by Council members in which they disclose their related parties which is available to public inspection on Council's website. We found discrepancies between the two. This indicates a gap in management's review process, posing a risk of undisclosed transactions with unidentified related parties. We were unable to obtain assurance over the related party transactions during the year.</p> <p>Update for the current year:</p> <p>We have not noted any issues related to the completeness of management's related parties register, hence this issue has been resolved.</p>	<p>Prior year recommendation:</p> <p>We recommend that management conduct an internal assessment to ensure that a robust review is carried out to ensure all related parties are captured in the related parties listing maintained by the management. This will ensure a proper and complete disclosure of all the related party transactions as per the CIPFA Code requirements.</p> <p>Prior year management's comments:</p> <p>The related party process is robust and builds in various additional checks such as searches on companies house to identify omissions. The process has been complimented in previous years as being in excess of what other councils do. Register of interests to be checked alongside existing related party transaction processes as a further check for omissions. However, it should be noted that they have separate purposes and are covered by different legislation.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● Medium</p>	✓	<p>PYR#14 - Review of bank reconciliation statement</p> <p>In our review of the bank reconciliation statement, we identified receipts and payments transactions, appeared in the bank statement before year-end but were not reflected in the general ledger. These transactions were not identified for recording within the financial year during the management's review of the bank reconciliation statement, indicating a deficiency in the review process. As the required adjustment amount is immaterial, we did not raise an adjustment.</p> <p>Furthermore, the management's reconciliation does not offset the transactions already recognized within the year, presenting the amounts on a gross basis as recorded in the general ledger and not in the bank, and vice versa. This complicates the identification of transactions causing the reconciliation difference.</p> <p>The bank reconciliation statement is a critical control over cash and cash equivalents, ensuring the completeness of the balance and accurate recording of settled transactions in the general ledger. Therefore, it is essential for the reconciliation to be clear, concise, and subject to robust review.</p> <p>Update for the current year: All of the above matters have been resolved.</p>	<p>Prior year recommendation:</p> <p>We recommend that management conduct an internal assessment to ensure that a robust review is carried out over the bank reconciliation statement, including a review of all receipts and payments transactions settled before year-end to ensure they are accurately reflected in the general ledger. Additionally, management should implement procedures ensuring that the reconciliation is clear and concise clearly identifying reconciling items.</p> <p>Prior year management's comments:</p> <p>A small amount of income had not been accrued back to the old financial year. This was partly due to an ongoing and known issue with the income system.</p> <p>Work on improving the bank reconciliation has been ongoing during the year. The backlog has been cleared and bank reconciliations will be completed and reviewed in a timely manner.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Resolution	Issue and risk previously communicated and update in the current year	Recommendation and management comments
<p>● Low</p>	✓	<p>PYR#15 - Journal entries posters have superuser access</p> <p>In our analysis of the journal entry process, we noted that members of the finance team possess super user access on the Agresso general ledger system, allowing them to create and post journal entries, as well as to modify or create new user accounts. We assert that granting such super user access to finance members, including the Head of Finance, poses a risk of fraudulent entries being posted and approved through the creation of new users.</p> <p>However, based on our testing we understood that journal entries posted by super users are subject to the standard approval process, with automated reports sent by Agresso to designated approvers. Entries below £10k are approved by the Head of Finance, while those above £10k and entries posted by the Head of Finance require approval from the S151 Officer. As a result, the risk of super users overriding or bypassing controls is minimal, leading us to conclude that this represents a low-risk control deficiency.</p> <p>Update for the current year:</p> <p>Based on our updated understanding, they have enhanced user access but cannot create a transaction end to end, hence this control recommendation is resolved.</p>	<p>Prior year recommendation:</p> <p>We recommend that Council reviews its superuser access and restricts the access to non-journal posters to avoid bypassing of authorisation of fraudulent journal entries.</p> <p>Prior year management's comments:</p> <p>As we are a small team it is necessary to have cover within the team. Super User access is restricted to more senior members of the finance team. General processes would mean that set up is generally carried out by the Systems Team Leader and System Teams Supervisor with changes only made by the super users when necessary. No action proposed.</p> <p>Current year management's comments:</p> <p>No action proposed.</p>

Assessment

- 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

Resolution

- ✓ Action completed
- ✗ Not yet addressed

09 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 interim AAR was reported to you in the Audit Committee meeting held on 26th November 2025. Our final AAR accompanies this audit findings report. No change has been noted in our findings from our interim AAR.

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.

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

Value for Money: Our procedures and conclusions

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

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

Criteria	2024/25 Risk assessment		2024/25 Auditor judgement on arrangements	
Financial sustainability	A	No significant weaknesses identified, but one improvement recommendation raised.	G	No significant weaknesses in arrangements identified and no improvement recommendations made. Prior year improvement recommendation has been fully implemented.
Governance	R	Significant weaknesses identified in relation to the Council's control environment and internal audit resource and capacity. Four improvement recommendations also raised.	R	We have raised a new significant weakness relating to financial reporting process and a key recommendation related to it. The two prior year significant weaknesses in the Council's control environment and in internal audit resource and capacity have been downgraded to an improvement recommendations. Of the remaining prior-year improvement recommendations, three have been closed and one has been superseded by the new significant weakness.
Improving economy, efficiency and effectiveness	A	No significant weaknesses identified, but three improvement recommendations raised.	G	No significant weaknesses in arrangements identified and no improvement recommendations made. Of the three prior-year improvement recommendations, two have been fully implemented and the third has been downgraded to an Insight.

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

10 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 and network firms). In this context, there are no independence matters that we would like to report to you.

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

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

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 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 investments 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 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.
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, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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

Fees and non-audit services

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 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 Authority'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 Tunbridge Wells Borough Council. The table summarises all non-audit services which were identified along with the safeguards applied.

Audit-related non-audit services

Service	2023/24 £	2022/23 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	£29,780	32,400	Self-Interest (because this is a recurring fee) Self-review (because Grant Thornton provides audit services) Management threat	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 estimated at £29,780 for 23/24 (22/23: 32,400) in comparison to the total fee for the audit of £185,712 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. To mitigate against the self review threat and management threat, we have not prepared the form which we are reviewing. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the council at the same time. Based on past experience, it is not expected that there will be material changes to housing benefit subsidy payable or receivable in future years based on the work that we perform. Any changes to the form will be agreed with the council before we conclude our report to DWP. Any changes to subsidy payable will be determined by DWP and we will have no involvement in the decision.
Total	29,780	32,400		

Fees and non-audit services (continued)

We confirm below our final fees charged for the audit. Our audit fees for prior year inclusive of fee variation (as approved by PSAA) was £178,980. No new non-audit services has been provided in 24/25.

Audit fees	Fee communicated as per audit plan (£)	Final fee (£)
Scale Fees for Sevenoaks District Council Audit	158,912	158,912
Fee variations to the scale fee*		
Fee variation for Value for Money (VfM). Follow up on two prior year significant weaknesses and new significant weakness for 2024/25*	4,300	4,300
Fee variation for assessment of group audit considerations on application of ISA 600 (revised)*	5,000	5,000
Fee variation for testing the first-year application of IFRS 16*	7,500	7,500
Additional fee for work beyond originally agreed timelines within 24/25 audit**	-	9,861
Total audit fees (excluding VAT)	175,712	185,573

*All fee variations are subject to PSAA approval.

** We extended our work beyond the originally agreed timeline, as the audit was initially planned for completion by mid December 2025. Our work continued into January 2026, in agreement with management, to complete the necessary procedures as explained in section 7 of the report. This has resulted in additional fees. These fees are subject to PSAA approval.

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.

Fees and non-audit services (continued)

Total audit and non-audit fee

(Audit Fee) £185,573

(Non-Audit Fee) £62,180

A reconciliation of our fees to the financial statements is set out below.

Reconciliation of fees per the financial statements to total fees above (audit services)

£

Fees per the financial statements for audit services

175,712

Additional fee for work beyond originally agreed timelines within 24/25 audit

9,861

Total audit fees (excluding VAT)

185,573

Reconciliation of fees per the financial statements to total fees above (non - audit services)

£

Fees per the financial statements for non-audit services

56,900

Certification of housing benefits subsidy claim by service provider other than Grant Thornton

(21,800)

Excess accrual for non-audit fees as explained in section 8 of the report

(11,200)

Accrual for 2021/22 fee for Certification of housing benefits subsidy claim not previously booked in 21/22

(23,500)

Non-audit fees that have been accrued in previous years for 2023/23 and 2023/24 Certification of housing benefits subsidy claim

61,780

Total non - audit fees (excluding VAT)

62,180

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.

B. Our team and communications

Grant Thornton core team



Parris Williams

Engagement Lead

- Key contact for senior management and Audit Committee
- Overall quality assurance



Ghufuran Ahmed

Audit Manager

- Audit planning
- Team allocation and resourcing
- Performance management reporting



Radoslaw Borzymowski

Assistant Manager

- On-site audit team management
- Day-to-day point of contact
- 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"> • Audit Plan • Audit Progress and Sector Update Reports • The Audit Finding Report • Auditor's Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • 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 Senior 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.

C. Logistics

The audit timeline





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