

The Audit Plan for the London Borough of Hammersmith & Fulham

Year ending 31 March 2026

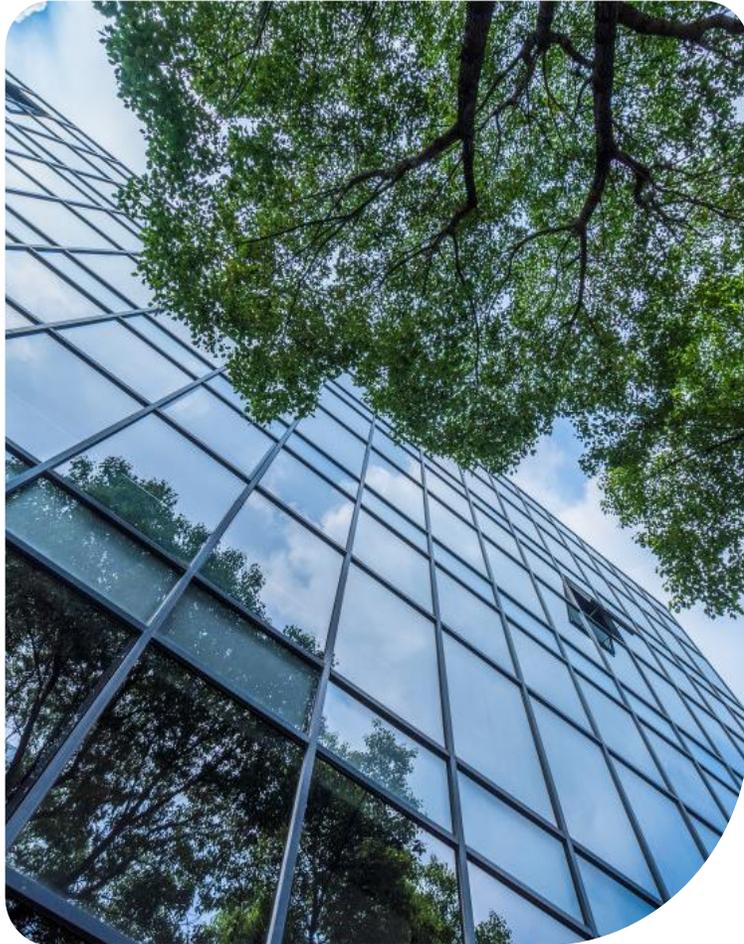
February 2026



Contents

Section	Page
Introduction and headlines	3
Risks identified and Other matters	5
Our approach to materiality	13
Progress against prior year recommendations	15
IT audit strategy	18
Interim audit work	19
Value for money arrangements	20
Logistics, our team and communications	24
Fees and related matters	26
Independence considerations	28
Communication of audit matters with those charged with governance	30
Escalation policy	32
Financial reporting changes	33

Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the London Borough of Hammersmith & Fulham Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the

oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Pension Asset/Liabilities
- Valuation of Council Dwelling, Other Land & Buildings and Investment Properties

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £18.4m (PY £18.4m) for the Council, which equates to 2% of your prior year gross operating costs for the year.

We are 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 £920k (PY £920k). We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to have a materiality of £100,000 for

senior officer remuneration, this is due to a greater level of public interest in this balance.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant weakness areas or related risks requiring separate attention. We will continue to monitor and update our risk assessment and responses until we issue our Auditor's Annual Report.

Audit logistics

Our audit planning visit took place during January and February. Our interim visit will take place in March where we will test interim samples of your months 1-10 populations in certain specific areas of the accounts to take pressure off the audit final fieldwork. Our final visit will take place in late-June through to September. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027; and
- for years ended 31 March 2028 by 30 November 2028.

As in previous years, we are working closely in collaboration with your finance team to work towards an earlier audit completion date of September 2026. Our auditor's report for 2024/25 was issued on the 30 October 2025, and our aim will be to bring this sign off date even further ahead of the above backstop date.

Our proposed fee for the audit is £483,242 (PY: £483,942) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

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

Significant risk	Audit team's assessment	Planned audit procedures
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk 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>We will:</p> <ul style="list-style-type: none"> • gain assurance regarding the completeness of the full journals listing and its consistency with the movements in the opening and closing trial balance; • analyse the journals listing and determined the criteria for selecting high risk unusual journals; • identify and test unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • use a combination of data analytic scoring tools and targeted tests to select journals of the greatest risk for testing; • gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness; and • review any other unusual and/or significant transactions.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Council. The main streams being government grants, collection fund, rental income from HRA and investment properties, parking income and Investment income. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams.</p> <p>Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of the Council, we have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; and • opportunities to manipulate revenue recognition are very limited. <p>Therefore, we do not consider this to be a significant risk for the Council at the time of our planning, however we will keep this assessment under review.</p>	<p>We still carry out detailed testing of the Council's revenues which are material, where we will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of income for appropriateness and compliance with the Code; • update our understanding of the system for accounting for the income and evaluate the design of associated processes and controls; • agree on a sample basis relevant income and year end debtors/income accruals to invoices and cash payment or other supporting evidence; and • carry out testing on sample basis of invoices issued in the period prior to and following 31 March 2026 to determine whether income is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of Land and Buildings including Council Dwellings	<p>The Council revalue its land and buildings on a rolling, five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (Other land and buildings £356m and for Council dwellings £1,266m in the Council's balance sheet on 31 March 2025) and the sensitivity of this estimate to changes in key assumptions. Key assumptions and judgements will include managements impairment assessments, valuations based on historic data, valuations of properties that have not been subject to inspection and those assets that have change in use in the year.</p> <p>Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date. We therefore identified valuation of land and buildings, specifically council dwellings, other land and buildings and surplus assets, as a significant risk of material misstatement. Note as set out below on page 10, that indexation will now be applied in intervening years to assets not fully revalued in year, and we will carry out the procedures set out on that page to review management's application of this new approach now prescribed by CIPFA from the 2025/26 year onwards.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work • evaluate the competence, capabilities and objectivity of management's expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations • for Council Dwelling revaluations we will test the appropriateness and application of the Beacon Valuations • for Other Land and Buildings, we will test the key assumptions and application of build costs, obsolescence factors and floor plans for assets valued on a Depreciated replacement cost basis. For assets valued on an Existing Use value basis we will focus our work on yields and income of the assets • focus testing on managements impairment assessment, valuations based on historic data and where no inspections have been undertaken. Testing will also focus on any assets that have had a change in use in the year • test, on a sample basis, revaluations made during the year to see if they had been • input correctly into the Council's asset register; • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end; and • where the Council opts to use any indexation approach we will assess the approach, test the application, and review the appropriateness of indices used.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of Investment Properties	<p>The Council revalue its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£118.9m in the Council's balance sheet on 31 March 2025) and the sensitivity of this estimate to changes in key assumptions.</p> <p>The key assumption for investment property is the yield rates utilised by the valuer and our testing will therefore focus on this area.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2025.</p> <p>We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuations were carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • focus our testing on the yield rates used by the valuer; and • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net liability	<p>The pension fund net asset (as at 31 March 2025), is made up of two balances the LGPS scheme and the LPFA scheme. The LGPS scheme had a net liability of £37.1m which is reflected in the Council's financial statements, the LPFA scheme had an accounted value of nil in the accounts. The LPFA scheme on a gross basis was identified as having a gross asset position of £52.7m with liabilities of £27.6m, however, following the application of IFRIC 14 the total that can be recognised in the accounts was identified as nil. This standard reflects the fact the Council may not have full access to the benefit of an overfunded position in the same way you would for other assets such as Debtors or Investments, therefore an asset ceiling of £25.1m was applied.</p> <p>The LGPS scheme although having in total a net position that is not significantly material has gross liabilities of £1,319m and gross assets of £1,282m. These balances are therefore highly sensitive to changes in market conditions or assumptions used by the actuary which is why this balance remains an area of significant risk of misstatement.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities; • test 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; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the Hammersmith and Fulham Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements. • review the application of IFRIC 14 and ensure the asset ceiling is correctly applied for both the asset and liability.

Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Cyber incident	<p>We note the Council was affected by a cyber incident in the financial year which impacted the operations of some Council services. During this period, the council was disconnected from finance, payroll, and HR systems. The council worked with their cyber security incident response provider to isolate and protect and then secure assurance about the Council's systems.</p> <p>The Council has since restored full operations and there is no evidence of their systems being compromised. As such we have not identified this as a significant risk at the planning stage, but this may change as further developments evolve and our review is undertaken.</p>	<p>We will:</p> <ul style="list-style-type: none"> engage our specialist IT team to understand the work the council has completed with their incident response provider and the assurances obtained from that work; assess the designed effectiveness of IT general controls specifically relating to cybersecurity; understand how business processes related to the systems which were impacted/offline during the incident were changed to ensure that transactions were recorded and payments were received/made; understand what the council has done once systems were back online to ensure that all transactions were recorded completely and accurately in the General Ledger; and consider out testing strategy in areas potentially impacted by a delay in using the General Ledger e.g. creditors, cash and cash equivalents.
First time indexation of land and buildings	<p>The code now (25/26) requires indexation for land and buildings in the intervening years between revaluations. The council will be adopting this for the first time, and applying indexation to land and buildings which have not been subject to a full revaluation by the professional valuation expert in the current year (ie. those valued as part of the five-year rolling basis mentioned above on page 7.</p>	<p>We will:</p> <ul style="list-style-type: none"> check the indices used and review the appropriateness of the application to asset classes (including using advice/input from our auditor's valuation expert as appropriate); and check of accounting entries etc.

Other risks identified (continued)

Risk	Description	Planned audit procedures
<p>The expenditure cycle includes fraudulent transactions</p> <p>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>	<p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>We have identified and completed a risk assessment of all expenditure streams for the Council. Having considered the nature of the expenditure streams of Hammersmith and Fulham, and on the same basis as that set out above for revenue, we do not consider this to be a significant risk for the Council at the time of our planning however we will keep this assessment under review.</p>	<p>We still carry out detailed testing of the Council's expenditure which are material, where we will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code; • update our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls; • agree on a sample basis relevant expenditure and year end creditors and accruals to invoices or other supporting evidence; and • carry out testing on sample basis of invoices received in the period prior to and following 31 March 2026 to determine whether expenditure is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement alongside any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

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

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements	18,400,000	Materiality has been set at 2% of the Council's gross expenditure
Performance materiality for the financial statements	13,800,000	Set at 75% of materiality, this is an increase of 5% from the prior year
Triviality	920,000	This is set at 5% of materiality
Materiality for specific transactions, balances or disclosures	100,000	This is an area considered to be of a greater level of public scrutiny and sensitivity. We have set this benchmark as our materiality for senior office pay



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Progress against prior year audit recommendations

We identified the following issues in our 2024/25 audit of the Council's financial statements, which resulted in 7 recommendations being reported in our 2024/25 Audit Findings Report. We have followed up on the implementation of our recommendations and 3 have been addressed/cleared, while 4 are in progress:

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed 	<p>HRA Beacons – valuation methodology</p> <p>Management should consider more regular reviews of the beacon valuations using comparable data that better reflects the current market conditions in the intervening years between full revaluations.</p>	<p>Management have confirmed that this will be addressed through in 2025/26 as a full revaluation will be completed in year.</p> <p>Moving forward, a percentage of beacons will be fully valued in between full inspections, and this will ensure the values applied to the housing stock are reasonable.</p>
In progress 	<p>Related parties</p> <p>Management should strengthen the related party declaration process to ensure full compliance with IAS 24 and consider amending the related party declaration to specify the need to report related parties of relevant persons with explicit inclusion of close family members and partners in the declaration forms. Management should stress the importance to members of transparency to users of the financial statements.</p> <p>Moreover, management can implement a process of periodic cross-checks with Companies House, electoral registers, and other public records to identify undeclared interests.</p>	<p>Management have revised the wording in the emails sent to councillors and senior officers to emphasise the fact that the declaration includes related parties of relevant persons explicitly including close family members and partners. This is carried through to the declaration form as well.</p> <p>Although measures have been put in place to address the issue raised, the next set of declarations are due at year end. This item has therefore been marked as 'in progress' until the audit team can verify the related parties declared include the close family members and partners of senior officers and councillors.</p> <p>In the event declarations remain incomplete for 2025/26, further measures may be required.</p>

Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress 	<p>Infrastructure Assets – Useful Asset Lives</p> <p>Management should consider regular reviews of infrastructure assets to ensure the assigned useful life is representative of the asset it relates to, by disaggregate consolidated infrastructure spend into distinct asset components and assign appropriate useful lives based on asset type and expected service potential.</p>	<p>We have discussed this with management who have agreed to provide some further analysis/consideration of the useful lives for these asset groups to demonstrate that these are reasonable and would not significantly misstate depreciation.</p> <p>We will consider and review this when available.</p>
In progress 	<p>Council Tax – Debtors and Creditors</p> <p>Management should consider the accounting treatment of these debtor and creditor balances and write off outstanding and overdue where applicable and in line the accounting policy.</p>	<p>Management have confirmed that this will be amended in the 26/27 financial year. This due to the cyber incident that happened in year.</p> <p>As a result, the Council team will not have the resources to action this recommendation ahead of the year end and work has already been completed to trace these amounts back to Academy.</p>
In progress 	<p>Joint Venture – Provision</p> <p>Management should consider the treatment of the provision added to their Joint Venture accounts and the subsequent impact this has on the Council entitlement to the profit earned by the entity and recoverability of the balances owed to it by the JV as well as the impact of it on the amount appearing as Investment in its separate financial statements.</p> <p>Moreover, Inconsistencies in year prevent comparison across financial years and for users of the accounts.</p>	<p>Management have confirmed that this recommendation is under review in conjunction with the West King Street Renewal LLP accounts and further updates will be available in March 2026.</p>

Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
<p>Addressed</p> 	<p>Property, plant and equipment - Reclassifications</p> <p>Management should consider applying greater challenge to the Estates Teams on delays occurring after the completion statements have been received.</p> <p>Additionally, Council could Implement a formal checklist or sign-off process for asset readiness to trigger reclassification.</p>	<p>Management have reaffirmed the processes in place to ensure the completion of projects and subsequent transition to operational use so proper accounting treatment can be applied.</p> <p>The Council consider this to be an isolated case, and the afore stated processes will continue to operate to prevent this reoccurring.</p>
<p>Retained as a best practice recommendation</p>	<p>Journal entries control environment</p> <p>We have identified during our testing of journal entries that there is no two-stage authorisation process for journal entry postings in place.</p> <p>This issue had not been resolved for the 2024-25 financial period. We have upheld this recommendation as a best practice IT control to demonstrate the segregation of duties.</p>	<p>To be discussed during the 2025/26 audit fieldwork.</p>

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
SAP HANA	Financial reporting, General Ledger, Accounts Payable, Accounts Receivable, Payroll	<p>We will consider the design, but not the operating effectiveness of the ITGCs.</p> <p>We note that there was a system upgrade to SAP HANA during the 2025/26 year. Though this did not entail a data migration, this is considered to be a significant/major change in the IT applications, and our IT Audit team will carry out additional work here to review any changes to the system and the ITGCs.</p>
Altair	Pensions administrations (member data), Pensions Payroll	We will consider the design, but not the operating effectiveness of the ITGCs

Interim Audit Work

Details of work to be conducted at interim:

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. An indicative plan of the areas that we would cover at interim is set out below, this will be finalised and agreed with management prior to the commencement of our interim visit.

Description	Work commentary
Review of prior year recommendations	We will perform a review of the council's progress against audit recommendations we have raised in the prior year.
Payroll	<p>We will:</p> <ul style="list-style-type: none"> • Select & test a sample of starters, leavers and change of circumstances • review monthly payroll reports up to month 9-10.
Advance testing areas	<p>We will select samples and perform advance testing on:</p> <ul style="list-style-type: none"> • prior year accruals crystallisation • operating expenditure • additions and disposals testing • business rates and council tax reliefs for months 1-10
Significant / one-off transactions / changes in policy	<p>We will perform review of the significant / one-off transaction / change in policy and identify elements for further testing where appropriate.</p> <p>We will inquire/perform a review of the council's approach to PPE valuations and implementation of indexation within the revaluation cycle</p>

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Financial sustainability	A No significant weakness identified, one improvement recommendation raised in relation to HRA and service performance	No significant weakness in arrangements identified.	As no risk of significant weakness has been identified, no additional risk-based procedures are proposed at this stage. We will undertake sufficient work to document our understanding of arrangements as required by the Code and follow up improvement recommendations made previously.

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

Risks of significant weakness in VFM arrangements

(continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Governance	A No risks of significant weakness reported, and one improvement recommendations made	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.
Improving economy, efficiency and effectiveness	A No risks of significant weakness reported, and one improvement recommendations made	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.

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

Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Council's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Potential types of recommendations



Statutory recommendation

Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council 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 Council. We have defined these recommendations as 'key recommendations'.

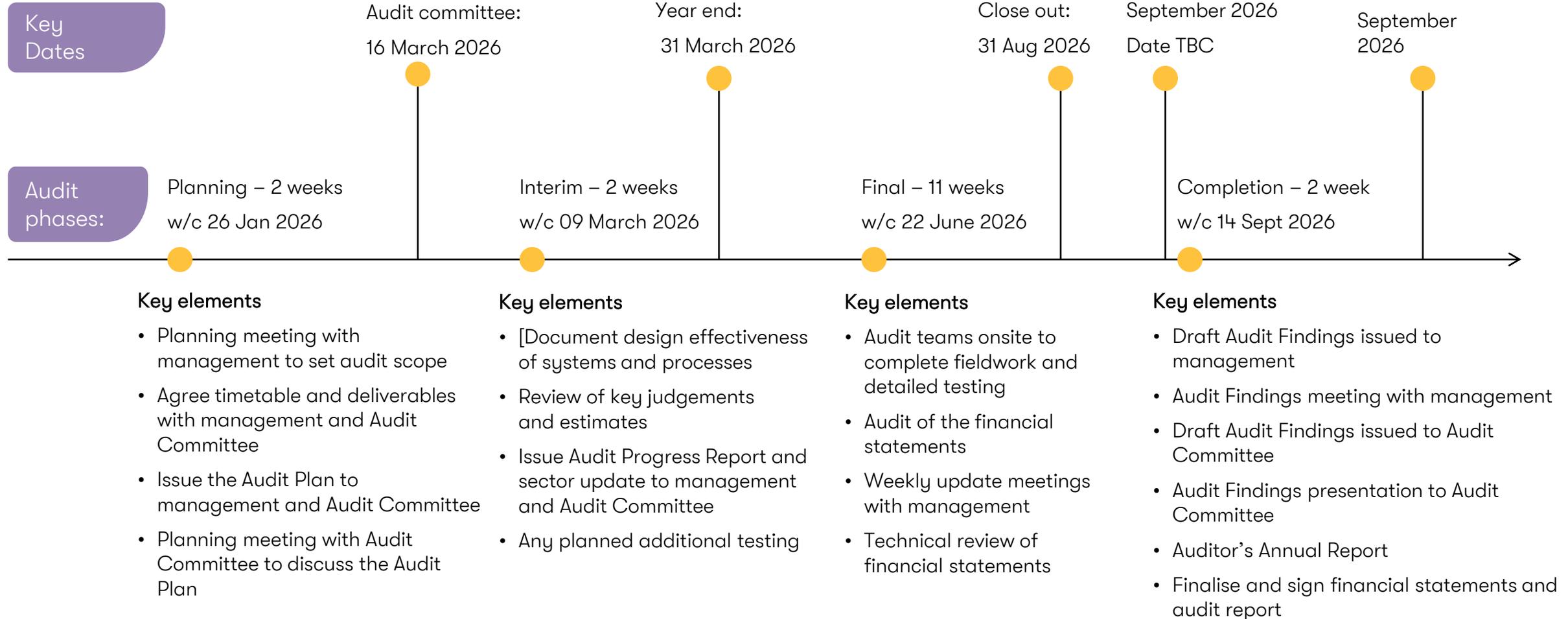


Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline



Our team and communications

Grant Thornton core team

Paul Cuttle

Engagement Lead/Key Audit Partner

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

Pool of IT and other technical specialists

Andy Conlan

Senior Audit Manager

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

Louis Barber

Audit Assistant Manager

- Audit planning
- Resource management
- 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"> • The Joint Audit Plan • The Joint Audit Findings • Joint 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

Our fee estimate

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- note the fee is largely set by PSAA at £483,241. We have also included the fact that extra work on the IT control environment will be required to gain sufficient assurance in response to the cyber incident. Though we expect the work of our IT audit team around the SAP HANA system upgrade to not be extensive, we flag that there could be an additional fee if there are any unexpected issues/control deficiencies flagged in the work.
- .

Previous year

In 2024/25 the scale fee set by PSAA was £470,080. The actual fee charged for the audit, including audit of subsidiary companies (where applicable) was £470,080.

Company	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
PSAA Scale Fee	470,080	483,241
Additional IT work – cyber incident	N/A	TBC
Additional IT work – SAP HANA system upgrade	N/A	TBC
IFRS16 implementation	13,862	N/A
Total (Exc. VAT)	483,942	483,241

Our fee estimate (continued)

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £483,241.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Independence considerations

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

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

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

Fees and non-audit services

The following tables below set out non-audit services charged from the beginning of the financial year to the current date, 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 Council's policy on the allotment of non-audit work to your auditor including where the service(s) are provided by Grant Thornton International Limited network member firms who are aware of that policy and have been approved by the Audit Committee. 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 the Council. The table summarises all non-audit services which were identified.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Teachers Pensions	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
Certification of Housing Capital Receipts Grant	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
HBAP Grant	Subject to tender for the 2024/25 and 2025/26 years	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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. We note that we last performed this work in 2023/24 for the Council, and the subsequent years 2024/25 and 2025/26 work is subject to tender. We will confirm in our audit findings report the status on this work. The fee for the last year where this work was performed was £35,600.
Total	TBC		

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

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 and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance (Continued)

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.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Council 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		●
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		●

Escalation Policy

The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Council's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from [2027/28](#).



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