

The Audit Plan for Pendle Borough Council

Year ending 31 March 2026

20 April 2026



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The Backstop

The Future of 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 require audited financial statements to be published by a specific date. 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.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support 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.

Local Audit Recovery

In the audit report for the year ended 31 March 2025, a disclaimer of opinion was issued due to the backstop. In addition, it was determined that the Authority's valuation processes for other land and buildings did not fully comply with the requirements of section 4.1 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25. Therefore, we were unable to obtain sufficient appropriate audit evidence to determine whether further adjustments to the carrying value of those assets might be necessary for the year ended 31 March 2025.

As a result, we anticipate that for 2025/26:

- we will have limited assurance over the opening Property Plant and Equipment (PPE) and reserves balances for 2025/26; and
- limited assurance over the closing reserves balance, due to the uncertainty over their opening amount.

We are discussing with management how additional audit work can be undertaken to rebuild assurance in a timely manner.

Our Work

In order to meet future statutory deadlines, for 2025/26 we will be working towards an internal deadline of 30 November 2026, as a dry run for future years. Our initial focus for the audit will be on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration disclosures; and closing balances for 2025/26. Our objective is to establish a pathway to recovery, by providing assurance over the in-year 2025/26 transactions and movements, where possible, and those closing balances which can be wholly determined in isolation without regard to the opening balance, such as creditors and debtors. As our work progresses, we will formulate a more detailed strategy as to how assurance can be gained on prior years. We will need the cooperation and input of management throughout the rebuilding process.

Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Pendle Borough 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 Pendle Borough 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 Accounts and 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 Accounts and 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 land, buildings;
- Valuation of the pension fund liabilities.

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 £1.341m (PY £1.067m) for the Council, which equates to 2.5% of your prior year gross expenditure for the year. Guidance in relation to materiality levels has been updated and as a result has allowed us to apply a higher percentage threshold for calculation of 2025/26 materiality.

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 £67,100 (PY £53,300).

Value for Money arrangements

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

Audit logistics

Our interim work will be undertaken in March and our final accounts audit will take place from July 2026. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £146,166 (PY: £142,185) 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
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	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.	We will: • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determined the criteria for selecting high risk unusual journals; • test unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual 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
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.	We have identified and completed a risk assessment of all revenue streams for the Council. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Pendle Borough Council, mean that all forms of fraud are seen as unacceptable.	Despite revenue recognition not being a significant risk, we still undertake the following procedures to ensure that revenue included within the accounts is materially correct: • 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
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.	We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is no significant risk, because: • the low fraud risk in the nature of the underlying transactions, or immaterial nature of the expenditure streams both individually and collectively ; and • the culture and ethical frameworks of local authorities, including Pendle Borough Council mean that all forms of fraud are seen as unacceptable. However, we consider there to be a higher risk of error in the completeness of other service expenditure and will tailor our audit processes accordingly.	Despite expenditure recognition not being a significant risk, we still undertake the following procedures to ensure that expenditure included within the accounts is materially correct: • 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.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of land, buildings	The closing valuation of land and buildings represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. The Code for 2025/26 now requires indexation in the intervening years between revaluations. The council will be adopting this for the first time and applying indexation to property plant and equipment. We have therefore identified it as a significant risk for the audit.	We will: • document our understanding management's process and controls for the calculation of the estimate; • evaluate the competence, capabilities and objectivity of management's expert; • evaluate the consistency of the disclosure with the valuation report; • evaluate the basis on which the valuations have been carried out; • evaluate the information and assumptions used by the valuer; • evaluate the accounting entries for the valuation; and • evaluate the reasonableness of the assumptions used to form the estimate.
Valuation of the Net Pension Fund Liability.	The valuation of the pension fund net liability represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.	We will: • document our understanding management's process and controls; • evaluate the competence, capabilities and objectivity of management's expert; • evaluate the consistency of the disclosure with the actuarial report; • evaluate the reasonableness of the assumptions used to form the estimate; • 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; • obtain assurances from the pension fund auditor on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate; • review the IFRIC 14 assessment carried out by the actuary and evaluate the reasonableness of the assumptions used as part of the assessment; and • confirm that pension fund asset valuations were based on a 31 March 2026 valuation date.

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 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

Planned audit procedures

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.

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 Council's financial statements	£1.341m	In determining materiality, we have considered the level of misstatement which could reasonably be expected to influence the economic decisions of users of the financial statements. Guidance in relation to materiality levels has been updated and as a result has allowed us to apply a higher percentage threshold for calculation of 2025/26 materiality. Materiality has been set at £1.341m being 2.5% of your 2024-25 gross expenditure (unaudited).
Performance materiality for the Council's financial statements	£0.872m	Performance materiality has been set at £0.872m being 65% of your headline materiality.
Triviality for the Council financial statements	£0.067m	The amount below which findings would be clearly inconsequential both individually or in aggregate to any reader of the financial statements.
Materiality for specific transactions, balances or disclosures – Senior Officer Remuneration	£0.024m	This balance is material by nature due to the sensitivity of the disclosure. Specific materiality is lower than the materiality of the financial statements and is set to purport the level of misstatement which may influence the users of the Financial Statement have over the remuneration disclosures which has been set at £0.024m.



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 11 recommendations being reported in our 2024/25 Audit Findings Report. We have followed up on the implementation of our recommendations and 11 are still to be addressed.

Audit Year	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
2024-25	In progress	Revaluation - Assets are revalued as at the 1 April but we recommend that valuation of land and buildings is undertaken as at 31 March of the year of the accounts. There is a risk that valuations undertaken as at 1 April could move by a material amount if there were any significant fluctuations in the market over the year. This recommendation has been made for the previous 5 years.	We will follow this up as part of our final accounts audit.
2024-25	In progress	PPE Reconciliation - The Council disposed of several assets in 2023/24 however the disposals were not included in the PPE note in the prior year. These were included in 2024/25. The Council partly disposed of an asset but disposed the full value of the asset in the asset register. We recommended the Council reconciles CPM (Techforge) to the fixed asset register as part of the close down process.	We will follow this up as part of our final accounts audit.
2024-25	In progress	Cash - Our review of the 2023/24 bank reconciliation identified the bank balance was overdrawn as such the balance should have been recorded in current liabilities. We recommended the Council reviews the bank balance at year end to confirm if its correctly stated.	We will follow this up as part of our final accounts audit.
2024-25	In progress	Cyber Security Policy - The Council do not have a formal documented policy in place. This should be completed and include at least the following : asset management, threat and vulnerability management, access management (including privileged access), data protection, security logging and monitoring, comprehensive backups for all critical systems, and incident/breach detection and response. Although the Council has controls in place which adhere to this it should be documented. We recommended the Council have a formal Cyber Security Policy in place.	We will follow this up as part of our final accounts audit.
2024-25	In progress	Journals Testing - Our review of journals identified the Head of Finance had posted and self authorised some journals. Although these journals are appropriate there should be adequate segregation of duties. We recommended the Head of Finance does not post any journals and journals should be authorised by another member of finance.	We will follow this up as part of our final accounts audit.

Progress against prior year audit recommendations

Audit Year	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
2024-25	In progress	Opening balances - The Council posts a journal for opening balances in period 1. Moving forward, the Council should input the opening balances in period 0 so they can be seen as opening balances on the trial balance. Opening balances should be transferred in period 0 so they can be seen as opening balances.	We will follow this up as part of our final accounts audit.
2024-25	In progress	Related Party transactions - Two Directors of the Council officers did not complete their declaration of interests. We have reviewed companies house and are satisfied no additional disclosures are required. Officers should be reminded of the requirement to make all disclosures and a copy of the online register to be maintained.	We will follow this up as part of our final accounts audit.
2021-22	In progress	We noted the Council has long term assets under construction which run for a number of years. These are currently recorded at cost and will be revalued when they come into use. Management has not assessed these assets for any potential impairment. Documentation should be provided for the audit process to demonstrate this review.	We will follow this up as part of our final accounts audit.
2020-21	In progress	Assets are revalued on a 5-year rolling program however no further work has been completed on assets not revalued. Management should complete their own assessment on these assets to confirm the value has not been materially changed.	We will follow this up as part of our final accounts audit.
2020-21	In progress	The Code requires Surplus Assets to be stated at fair value therefore these assets are required to be revalued on an annual basis. The Council had revalued one surplus asset and used that as a basis to assess the value of other surplus assets. However, this was not in line with Code requirements and there is a risk that other surplus asset valuation movements may not necessarily be the same as the asset revalued. In 2024/25 we identified four (4) surplus assets with a total NBV of £400k which had not been revalued.	We will follow this up as part of our final accounts audit.
2020-21	In progress	The current policy is to depreciate assets the year after acquisition however the Code requires assets to be depreciated as and when they are put into use. The depreciation policy did not comply with Code requirements and there was a risk that over time depreciation will become increasingly misstated.	We will follow this up as part of our final accounts audit.

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	We will: • Select & test a sample of starters, leavers and change of circumstances • review monthly payroll reports up to month 9-10.
Advance testing areas	We will select samples and perform advance testing on: • fees and charges • operating expenditure • additions testing • business rates and council tax reliefs • government grants
Significant / one-off transactions / changes in policy	We will perform review of the significant / one-off transaction / change in policy and identify elements for further testing where appropriate. We will inquire of the council's approach to PPE valuations and implementation of indexation within the revaluation cycle.

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
Civica Financials	Financial reporting	• A review of the IT General Controls related to security management, development and maintenance and technology infrastructure.
Civica Property Management (CPM)	Valuers Fixed asset register (Land and building)	• A review of the IT General Controls related to security management, development and maintenance and technology infrastructure.

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

Initial 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	R Significant weaknesses around the need to prepare and agree short and medium-term plans to close the budget gap, generating savings without a major reliance on reserves.	Prior year weakness identified, this is assumed to be a risk of significant weakness at planning stage.	We will obtain evidence and make enquiries of management to understand the updated 2026/27 budget, MTFP and savings plans, considering the impact on reserves, against the backdrop of Local Government Reorganisation.

- 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	R Three significant weakness identified around implementation of legal advice relating joint venture companies, implementing the actions identified by Internal Audit to address weaknesses in the Council’s information governance processes, and completion of an independent legal review on the existing planning process.	Prior year weakness identified, this is assumed to be a risk of significant weakness at planning stage.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures around governance, we will document our understanding of your arrangements and follow up improvement recommendations made in 2025/26.
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified, but one new improvement recommendation made, and one reiterated from prior year.	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 2025/26.

- 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

Matt Derick
Engagement Lead/Key Audit Partner

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

Gareth Winstanley
Audit Manager

- Audit planning
- Main contact for the finance team
- Project and Resource management of the delivery of the audit
- Performance management reporting

In-charge

- Audit team management
- Day-to-day point of contact
- Audit Fieldwork

Amber J Mackenzie-Banister
VFM Lead

- Value for Money (VFM) planning
- Main contact for the review of VFM arrangements
- Development of the VFM commentary in the Auditors Annual Report.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Regular meetings with the Head of Resources.	• The Audit Plan • Audit Progress and Sector Updates Reports • The Audit Findings Report • Auditors Annual Report on VFM	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• 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.

Previous year

In 2024/25 the actual fee charged for the audit, was £161 685. In 2024/25 additional fee charged for work required due to the implementation of IFRS 16 (£8,500) , issues with the revaluation of property, plant and equipment assets (£3,000), and additional Housing Benefit testing (£8,000).

	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
PSAA scale fee	142,185	146,166
Additional fee – audit and non-audit work	19,500	
Total (Exc. VAT)	161 685	146,166

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 £146 166.

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

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we confirm there are no matters that we are required to report.

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 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).

FY2025/26 marks Georgia Jones' Year 6 of involvement as Engagement Lead in this engagement, her extended involvement in the audit has been approved by the PSAA. Matt Derrick will take over as Engagement Lead from the period covering the final accounts and for the foreseeable future pending the anticipated local government reorganisation.

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.

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

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’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		●
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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