

Audit and Governance Committee



Date of meeting: 16 September 2025

Title of Report: **Management response to External Audit actions**

Lead Member: Councillor Mark Lowry (Cabinet Member for Finance)

Lead Strategic Director: Ian Trisk-Grove (Service Director for Finance)

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Your Reference: EA Actions / 2025

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

To update the Audit and Governance Committee with a formal response to the recommendations from Grant Thornton, as set out in their recent Audit Findings and Annual Audit reports to the Committee during the 2024/25 financial year.

Recommendations and Reasons

1. That the Committee note the responses to the recommendations and the summary position in relation to actions addressed from previous External Audit reports, as detailed in the report.

Reason: The report provides assurance to the Committee that External Audit recommendations are being followed up and addressed, in line with good governance practice.

Alternative options considered and rejected

None – not responding formally to recommendations made by External Auditors would not give necessary assurance to the Committee.

Relevance to the Corporate Plan and/or the Plymouth Plan

Good governance and effective financial stewardship provide the foundation for the delivery of corporate improvement priorities; however, there are no direct links between the contents of this report and Corporate Plan or Plymouth Plan objectives.

Implications for the Medium Term Financial Plan and Resource Implications:

A number of the responses and recommendations relate directly to improving the Medium-Term Financial Planning process are used to effectively support the challenges ahead.

Financial Risks

None arising directly as a result of this report.

Legal Implications

(Provided by Liz Bryant)

The issuing of statutory recommendations by the Council's external auditor is a power derived from the Local Audit and Accountability Act 2014. The Act sets out the framework for the audit of local authorities and includes specific provisions under Schedule 7 for the appointed external auditor to make reports and recommendations which an Authority must consider and respond to publicly. The specific obligations placed on the Council in responding to any Schedule 7 recommendations are set out in this report.

Carbon Footprint (Environmental) Implications:

None arising directly from this report.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

None arising directly from this report.

Appendices

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7

Background papers:

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7
Management response to Grant Thornton actions 2024 – report to Audit & Governance Committee July 23 2024							
Audit Findings Report for Plymouth City Council (year end 31 st March 2024) – report to Audit & Governance Committee February 18 2024							
Auditor's Audit Report for the year ending 31 st March 2024 – report to Audit & Governance Committee November 12 2024							

Sign off:

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Originating Senior Leadership Team member: Ian Trisk-Grove											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 03/09/2025											
Cabinet Member approval: Cllr. Mark Lowry (approved by email) Date approved: 22/08/2025											

Briefing Report: Management response to External Audit actions (as at August 2025)

Background

1. Each year the Council's external auditors report on findings and make recommendations following their audit of the Council's financial statements. The External auditors also consider the Council's arrangements for securing Value for Money, and provide commentary (including making recommendations) in an Annual Audit Report.
2. As a result of the backstop arrangements to address the national crisis in local audit, the council's financial statements for the 2021/22 and 2022/23 were not audited, and therefore there are no Audit Findings reports or recommendations arising from these financial statements. The audits of the Council's financial statements for 2019/20 and 2021/22 concluded during the last financial year. Paragraph 5 and table 1 below present an update on progress against recommendations arising from these audits.
3. The Council's financial statements for 2023/24 were audited in the winter of 2024-5, with Audit Findings presented to the Audit and Governance Committee at its meeting of 18 February 2025. Paragraph 6 and table 2 below present the Council's response to these most recent Audit Findings recommendations.
4. Separately, the Council's external auditors presented their commentary in relation to arrangements for securing Value for Money in their Audit Report for the 2023/24 financial year. The Council's response to these recommendations are presented in paragraphs 7 and 8, and tables 3, 4 and 5 below.
5. 22 out of 23 External Audit recommendations arising from the audit of the council's 2020/21 accounts, and all recommendations arising from the audit of the 2019/20 accounts, have been implemented and closed as complete. As set out in Table 1 below, further work relating to the final outstanding recommendation (concerning working papers and audit trails for asset accounting) is ongoing, with further training for capital project managers planned during 2025.

Table 1: 2020/21 Audit Findings – response to recommendations and update			
Priority	Recommendation	Management response March 2024	Update August 2025
Medium 6	For larger capital projects such as Mill bay the client should perform a close review as to whether any work will be performed on land or assets the council do not own and account for it accordingly. Where the client perform large adjustments for items, they maintain clear working papers, and an audit trail which can be easily accessed, so that they can clearly explain the context, double entry, and evidence the totals involved and the methodology used in arriving at the adjustments.	We will review our procedures and working papers to see how this can be improved.	Work continues to improve practice in this area. Capital accountants conduct regular training exercises for Project Officers.

6. 8 of 15 External Audit recommendations arising from the more recent audit of the council's 2023/24 statement of accounts have been closed, with implementation of the remaining 7 recommendations underway. Details on all of these recommendations (including closed recommendations) is set out in table 2 below.

Table 2: 2023/24 Audit Findings Report – response to recommendations and update			
Priority	Recommendation	Management response (February 2025)	Update August 2025
Medium 1	Management should review the journal process to ensure that sufficient segregation of duty controls are in place and that monitoring processes are sufficiently robust to identify and address any issues identified.	The Council has a robust set of reconciliation and monitoring processes in year to support the posting of journals. All journals above £500k are required to be authorised and if they are self-approved management have implemented a system generated alert to notify staff when they have self approved the journal or failed to attach sufficient notes and documents to the journal	Closed. We believe this recommendation has been adequately addressed. The forthcoming audit of the 2024/25 accounts will confirm External Audit's position on this issue.
Medium 2	For a number of land and building and investment property assets management were unable to provide floor plans to support the measurements used within the calculations. There is a risk that management and valuers will use inaccurate information which could result in a material misstatement within the statement of accounts Management should ensure that all supporting information is maintained and is consistent with disclosures made in the statement of accounts	Work is already underway within the land and property team to collect and collate comprehensive inspection and measurement information for assets which will be retained on a standard format template and saved within individual asset files. This is being initially rolled out for PPE assets falling due for revaluation in the YE2025 programme, however due to the large quantity of assets – it may be that further technical resource is required to undertake this work more rapidly.	Open. Work continues to be underway.
Medium 3	For larger capital projects management should perform a close review in order to identify whether any work will be performed on land or assets the council do not own and account for it as REFUS in that year accordingly.	Accountants will ensure they engage with Project Officers, delivering these projects at an early opportunity. We will also incorporate this into the training provided to Projects Officers at year end.	Open. As noted above in Table 1, work continues to improve practice in this area. Capital accountants conduct regular training exercises for Project Officers. This area will be tested again in the 2024/25 audit.

Table 2: 2023/24 Audit Findings Report – response to recommendations and update

Priority	Recommendation	Management response (February 2025)	Update August 2025
	<p><i>(continued from above)</i></p> <p>Where management perform large adjustments for items, they should maintain clear working papers, and an audit trail which can be easily accessed, so that they can clearly explain the context, double entry, and evidence the totals involved and the methodology used in arriving at the adjustments</p>		
Medium 4	Management should ensure that all depreciation calculations and processes are accurate and that all treatment and disclosures are in line with the requirements of the Code and the accounting standards.	We will introduce more control checks prior to posting year end journals. We will also have more control over making changes in Technology Forge as we will only be managing one financial year on the system rather than five. Up until this financial year we have had to manage with a manual reconciliation between the fixed asset register and the accounts as we had to close previous years due to the system limitations.	Open. Work continues and we believe improvements in this area are substantially progressed. Again, it will be tested in the 2024/25 audit.
Medium 5	Management should review the process for valuing assets and ensure that all documentation is retained to fully support the valuations disclosed in the financial statements.	<p>In order to address concerns with adhoc errors occurring on Valuation Reports, it is proposed for YE2025 going forward that a more robust system of internal auditing is required to screen for errors. This unfortunately was not possible for YE2024 due to the late issue of full instructions to the Valuer, leading to a significantly reduced timeframe for issuing valuations.</p> <p>The existing Valuation templates and instructions will be reviewed to ensure that there is a consistent approach to adjustments and that all valuation inputs are adequately evidenced.</p>	Open. Work continues to be underway.

Table 2: 2023/24 Audit Findings Report – response to recommendations and update

Priority	Recommendation	Management response (February 2025)	Update August 2025
Medium 6	Management should review the process for valuing assets and the necessary accounting disclosures to ensure that robust review is in place to ensure the accuracy and appropriateness of all disclosures.	We have corrected the treatment of the disposal of Academy schools	Closed. No further action required.
Medium 7	Management should ensure that valuations are carried out in line with the required guidance and standards to ensure that valuations are accurately recorded.	The valuer will ensure that the report makes reference to retirement obligations, even if it is to confirm a nil impact.	Closed. No further action requirement; this area will be tested again in the 2024/25 audit.
Medium 8	Management should consider instructing the valuer to provide further assurance over the movement in non-valued assets to provide assurance over disclosures within the statement of accounts	Agreed	Closed. No further action requirement; this area will be tested again in the 2024/25 audit.
Low 1	Management should ensure that a robust review process exists to ensure that the financial statements are accurate and appropriate and that the number of errors and misstatements is kept to a minimum	We will ensure through our year end training that staff are aware of the impact of errors and that they build in control checks to avoid this happening.	Open. Training continues and will be reviewed in the light of 2024/25 audit findings.
Low 2	Management should ensure all assets are revalued within the five-year cycle.	This was a one-year decision as we transitioned back from a 3-year rolling programme to a 5-year rolling programme. Due to resource constraints , we decided that the decision not to revalue 0.4% of our assets was a fair compromise. Under the current rolling programme all assets are revalued within a 5-year period.	Closed. No further action required.

Table 2: 2023/24 Audit Findings Report – response to recommendations and update

Priority	Recommendation	Management response (February 2025)	Update August 2025
Low 3	Management should ensure that instructions and the valuers report include sufficient information to allow proper understanding of the process undertaken.	<p>The comparable data is currently retained within folder organised by sector type. This includes data from internal sources and from third parties. Existing tables of data will be undated as further information becomes available, and resource will be deployed to ensure that this is kept up to date. Due to the specific nature of some assets, there is a shortage of available data within the locality. It is proposed that the Valuation template is amended to include a more robust explanation for adjustments that have necessarily needed to be made. A market commentary is included in all Valuation Reports, and where possible external comparable information is sourced. Due to the size of the market in Plymouth and nature of some of the assets, it is not always possible to secure this information.</p> <p>In order to address concerns with adhoc errors occurring on Valuation Reports, it is proposed for YE2025 going forward that a more robust system of internal auditing is required to screen for errors. This unfortunately was not possible for YE2024 due to the late issue of full instructions to the Valuer, leading to a significantly reduced timeframe for issuing valuations. As stated in the comments above, work is already underway to collate more comprehensive and robust records of measurement, inspection and condition for each asset.</p>	Closed. No further action required.

Table 2: 2023/24 Audit Findings Report – response to recommendations and update			
Priority	Recommendation	Management response (February 2025)	Update August 2025
Low 4	Management should ensure all related party disclosures are included within the financial statement disclosures.	We will widen the remit of checks undertaken at year end and when gathering data for this disclosure.	Open. Work continues to deliver improvements in this area.
Low 5	Management should consider the appropriateness of data used to estimate disclosures and ensure that it is up to date (relates to Accumulated Absences).	Agreed.	Closed. No further action required.
Low 6	Management should ensure contract information is retained for all employees.	Agreed.	Open. This area has been reviewed as part of the iTrent migration.
Low 7	Management should review part year salaries and ensure that all disclosures within the remuneration report are in the line with Code and supporting guidance.	Agreed.	Closed. No further action required.

7. The most recent Annual Audit Report (for the financial year 2023/24) contained 3 Key Recommendations and 5 Improvement Recommendations (these included one Key Recommendation that remained outstanding from the previous year). Many of these recommendations relate to annual processes and are longer term in nature, therefore of the 8 recommendations in total, at this stage we believe only three can be considered closed. Tables 3 and 4 set out the response to each recommendation and the latest position.

Table 3: 2023/24 Value for Money commentary – Key Recommendations		
Conclusion	Recommendation	Management response & update (August 2025)
As we reported in our 2022/23 Auditor's Annual Report, the Council has an organisational approach to financial planning. However, we reported a significant weakness in the Council's arrangements for financial sustainability as there was a medium-term financial gap of circa £69 million in the Council's Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 published September 2023. Since we reported on 2022/23, increased costs and	Given the increased level of financial stress the Council is facing members need to ensure that there is a robust response to financial matters with a more detailed revision of the Council's Medium Term Financial Strategy (MTFS), early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering transformation plans should be tracked by Cabinet each month and	Open. The MTFS was revised in 2024/25 and an updated position was presented to Cabinet in Autumn 2024, with an updated MTFP position reported to full council in Feb. 2025. The council has balanced its 2025/26 budget through this process, and the medium-term financial gap has reduced significantly.

Table 3: 2023/24 Value for Money commentary – Key Recommendations

Conclusion	Recommendation	Management response & update (August 2025)
activity will likely have widened this gap.	periodically reviewed by the relevant Scrutiny Committee for the service.	The development of monitoring arrangements for transformation plans remains in progress. These are being developed as part of the emerging corporate transformation programme.
Whilst there were some savings resulting from the transformation of services in Adults and Children's Services in the year under review, these demand led services overspent significantly in 2023/24 and continue to do so to date in 2024/25. As at November 2024 the Council was forecasting a net revenue overspend for 2024/25 of £6.697 million, assuming all identified mitigations delivered the benefits that they were envisaged to. As at February 2025 the latest published position is a £1.842m overspend.	<p>The Council should implement its plans for its council wide transformation programme at sufficient scale and pace to demonstrate that it is able to address the significant structural budget deficit. This should include:</p> <ul style="list-style-type: none"> cohesive reporting to Cabinet on the planned resourcing, timescales, milestones, savings and outcomes from its council wide transformation programme, bringing together work planned and delivered by directorates; detailing the planned annual savings and how these reconcile to the forecast savings required in the revised Medium Term Financial Strategy (MTFS) 2025/26 to 2029/30. 	<p>Open. The corporate transformation programme will be integrated with the council's MTFS in the forthcoming budget round to ensure that the 'prevention first' strategy mitigates demand pressures over the medium term.</p> <p>As noted above, monitoring arrangements for transformation plans will be developed as part of this emerging corporate transformation programme.</p>
We concluded there was a significant weakness in arrangements to deliver good quality Children's Services within the 2023/24 financial year, as the Council was in Secretary of State (SoS) Intervention for 11 months of the financial year. This follows a significant weakness being identified in our 2022/23 Auditor's Annual Report. The Council can evidence improvement in services during 2023/24, with arrangements put in place promptly to address issues raised in the Improvement Notice. It has also approved an updated	<p>The Council should:</p> <ul style="list-style-type: none"> ensure appropriate arrangements are in place with partners to address the actions raised in the Joint Area SEND inspection and resultant Improvement Notice; and fully cost the improvements identified through the "Achieving Excellence" Strategy, approved in July 2024, and incorporate these into the Council's updated financial plans, with relevant timeframes identified. 	<p>Closed.</p> <p>The recent SEND review of progress noted good progress. A full SEND Re-Inspection is expected in autumn 2025.</p> <p>Additional resources were identified and funding provided in the 2025/26 budget. Improvements in children's social care set out in Achieving Excellence were put in place with progress monitored by the Improvement Board and our</p>

Table 3: 2023/24 Value for Money commentary – Key Recommendations

Conclusion	Recommendation	Management response & update (August 2025)
children's strategy within the 2024/25 financial year.		SLIP partner. Good progress was found leading to the Intervention Notice being lifted.

Table 4: 2023/24 Value for Money commentary – Improvement Recommendations

Recommendation	Management response & update (August 2025)
The Medium Term Financial Strategy should include a sensitivity analysis where levels of assumed income and expenditure are varied to identify the best, likely and worst-case scenarios.	Open. The Medium Term Financial Strategy for the 2026-31 will be contain sensitivity analysis and scenario plans. This is due to be published in Autumn 2025.
The Council should clearly identify and report on the split between recurrent and non-recurrent savings each year.	Open. This will be addressed in the next Medium Term Financial Planning cycle, with the split reported to Cabinet and Full Council in MTFP reports for the 2026/27 year (by January / February 2026).
The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date. This should be done through better triangulation with other information, to remove inconsistencies in scoring and improve understanding of the risk around the Council's operations.	Open. The Corporate Risk Register will be reviewed, updated and revised to address this recommendation.
The annual fraud report should incorporate details of the high-level outcomes in terms of improving the Council's control framework as a result of fraud referrals, along with the specific procedures and measures implemented to prevent similar occurrences. This will provide a more comprehensive understanding of the measures in place for preventing and detecting fraud.	Closed. The 2024/25 annual fraud report was reported to Audit and Governance Committee in July 2025; this incorporated details of savings and results arising from fraud referrals and associated actions.
The Council's Procurement Readiness Action Plan should be reported to the Audit and Governance Committee so it has assurance that the Council will be implementing the requirements of the new procurement regulations in a timely manner by the deadline of February 2025.	Closed. The Procurement Readiness Action Plan was reported to the Audit and Governance Committee at its meeting in January 2025; the Committee also received an update on the Procurement Strategy (aligning with the Procurement Act 2023) at its meeting in July 2025

8. The Annual Audit Report for the financial year 2023/24 also highlighted a further Value for Money Key Recommendation that remained partially outstanding from the previous year, as well as three

Value for Money Improvement Recommendations that were also outstanding. 3 out of these 4 outstanding recommendations are now considered closed. Table 5 sets out the response to each outstanding recommendation and the latest position.

Table 5: 2023/24 Annual Audit Report Value for Money commentary – recommendations remaining open from previous financial years in the latest report	
Recommendation	Management response & update (August 2025)
<p><i>Original external audit recommendation (2022/23):</i></p> <p>Given the increased level of financial stress the Council is facing members need to ensure there is a robust response to financial matters with a more detailed revision of the Council's Medium Term Financial Strategy (MTFS), early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.</p> <p><i>External Auditors' update (2023/24):</i></p> <p>[although a Medium-Term Financial Forecast was presented to Cabinet in May 2024] ... the MTFF detailed assumptions but there was no calculation of an updated medium term financial gap.</p>	<p>Closed.</p> <p>A medium-term financial forecast, setting out a Medium-Term financial gap, was reported to Full Council in February 2025 as part of the annual budget setting report. This position will be revised and updated and reported as part of the Medium Term Financial Strategy due to be published in Autumn 2025.</p>
<p><i>Original external audit recommendation (2022/23):</i></p> <p>The Council approved the four-year Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 in September 2023. The 2024/25 to 2028/29 MTFS should be approved early in the 2024/25 financial year, and we suggest that future MTFSs are prepared at the same time as the annual budget and approved before the start of each financial year.</p>	<p>Closed.</p> <p>As noted above, an MTFS position was reported to Full Council in February 2025 as part of the annual budget setting report and will be reviewed and updated in Autumn 2025.</p>
<p><i>Original external audit recommendation (2022/23):</i></p> <p>As the Council is in the bottom quartile of "general fund and earmarked reserves as a percentage of net revenue expenditure" compared to other councils then it should aim for a higher working balance target than its current 5% to protect the long-term financial health and viability of the council.</p>	<p>Open.</p> <p>The new S151 officer is reviewing the Council's reserves policy and financial resilience and will report on this as part of the forthcoming 2026/27 budget setting process.</p>
<p><i>Original external audit recommendation (2022/23):</i></p> <p>The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.</p>	<p>Closed.</p> <p>The data quality strategy was published and reported to Audit and Governance Committee at its meeting in April 2025.</p>