

# **Audit Findings (ISA 260) Report for Plymouth City Council**

Year ended 31 March 2025

12 January 2026



**Plymouth City Council**

Ballard House  
26 West Hoe Road  
Plymouth  
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12 January 2026

Dear Members of the Audit & Governance Committee

**Audit Findings for Plymouth City Council for the 31 March 2025**

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

**Chartered Accountants**

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://grantthornton.co.uk/transparency-report-2024-.pdf).

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

Barrie Morris

Partner  
For Grant Thornton UK LLP

**Chartered Accountants**

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# Headlines

# Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Plymouth City Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

## Financial statements

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

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

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

Our audit work was undertaken during September 2025 – January 2026 (as planned). Our findings are summarised on pages 15 to 35. We have not identified any adjustments in our work to date to the financial statements that impact the Authority's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Authority's usable reserves

Audit adjustments are detailed at page 41. We have also raised recommendations for management as a result of our audit work. These are set out at page 43. Our follow up of recommendations from the prior year's audit are detailed at page 46.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- resolution of the capital grants received in advance accounting treatment;
- completion of IFRS16 consideration and detailed testing;
- resolution of outstanding queries raised with management in relation to sample testing work undertaken;
- completion of the quality review process;
- receipt of management representation letter; and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be disclaimer of opinion, subject to completion of the work outlined above, which we intend to issue in January 2026, please see page 10 for detail.

# Headlines

## Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the ‘Code’), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority’s overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority’s arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which was presented to the November 2025 Audit & Governance Committee. We identified significant weaknesses in the Authority’s arrangements for financial sustainability and improving economy, efficiency and effectiveness and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 54).

# Headlines

## Statutory duties

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

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

We have completed the majority of work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- where confirmation has not been received from the NAO that the group audit (Whole of Government Accounts for Local Government) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code;

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

## Significant matters

As part of our work we are required to test transactions back to supporting documentation to ensure that balances are accurately and appropriately disclosed. Within the expenditure population we identified a number of grossing up journals that each reversed numerous other transactions. In discussion with management, it was noted that the transactions reversed by these journals could not be easily identified and, therefore, we asked management to remove these. This was to reduce the sample sizes as balances are tested on an absolute basis and not removing these transactions increases the balances significantly. Further where we pick a grossing up journal, we cannot test this as it is not a single transaction. As these are a net zero within the balance we cannot test the underlying transactions and therefore have to pick an alternative transaction for testing. Following further investigation management confirmed that it was not possible to easily identify these transactions and therefore no further work was undertaken and we were required to include them within our sample. We have discussed with management the impact on the auditor time and will consider whether this has created delays in the audit and what is any additional fee would be due.

We also encountered delays in receiving information in relation to investments and borrowing meaning that this was not provided until late October and subsequently have met delays in getting third party confirmations.

We did not encounter any further significant difficulties or identify any significant matters arising during our audit.

# Headlines

## National context – audit backlog

### Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

# Headlines

## National context – local audit recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop legislation. We had previously issued a disclaimer of opinion on the Authority's financial statements for the year ended 31 March 2023 as we had not been able to obtain sufficient appropriate evidence that the financial statements were free from material misstatement. Therefore, we were unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority's Comprehensive Income and Expenditure statement for the year ended 31 March 2024 for the same reason.

As a result, for 2024/25:

- we have either limited or no assurance over the opening balances for 2024/25; and
- limited assurance over the closing reserves balance also due to the uncertainty over their opening amount.

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

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

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

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

# Headlines

## Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

### Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

### Impact on the Authority

Our work in this area is ongoing and we have considered:

- the adjustment made by management for leases now recognised on the balance sheet which we noted was not material;
- whether accounting policies and disclosures reflect management’s application of judgement, estimation and assumptions and the processes followed;
- related internal controls that required updating, if not fully revisiting, to reflect changes in accounting policies and processes;
- systems to capture the process and maintain new lease data and for maintaining this on an ongoing basis to keep information up to date;
- accounting for what assets have been identified as operating leases; and
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate.

We will:

- Review the calculations made by management for accuracy and whether these are in line with the requirements under IFRS16

# Materiality

# Our approach to materiality

As communicated in our Audit Plan dated 30 April 2025, we determined materiality at the planning stage as £10.4m based on 1.75% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. Materiality has been updated to £12.5m based on the draft financial statements as there has been a significant increase of £127.1m in gross expenditure.

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

## Basis for our determination of materiality

- We have determined materiality at £12.5m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as prior year errors and misstatements and any significant deficiencies identified at planning.
- We have used 1.75% of gross expenditure as the basis for determining materiality.
- We have chosen gross expenditure as an appropriate benchmark as cost of services is the key driver for the Council and other comprehensive income items are generally non-cash items which are not connected to the running of the organisation.
- Our percentage benchmark has increased from 1.3% in 2023-24 to 1.75% in 2024-25.
- We have determined performance materiality at £8.125m, this is based on 65% of headline materiality. We have revised the performance materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

## Specific materiality

- We have set a lower materiality for **individual** senior officer remuneration disclosures of £20k, on the basis of the sensitivity to public interest and the reader of the accounts.

## Reporting threshold

- We will report to you all misstatements identified in excess of £625k, in addition to any matters considered to be qualitatively material.

# Our approach to materiality

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

	<b>Authority (£)</b>	<b>Qualitative factors considered</b>
Materiality for the financial statements	12,500,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year and monitors spend against this. Therefore gross expenditure was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 1.75% was an appropriate rate to apply to the expenditure benchmark as we have identified material adjustments in prior years and a large number of other issues and recommendations. Further we have backstopped previous audits and cannot, therefore, provide assurance over closing balances
Performance materiality	8,125,000	Our performance materiality has been set as 65% of our overall materiality. We are satisfied that 65% is appropriate as we have identified misstatements and issues in a number of different areas within the financial statements. We do not consider that there is evidence of systemic weaknesses in processes which would potentially give rise to misstatements
Specific materiality for Senior officer remuneration disclosure (Authority only)	20,000	Senior Officer Remuneration is considered sensitive and of particular interest to the reader of the accounts.
Reporting threshold	625,000	Calculated as a percentage of headline materiality and in accordance with auditing standards

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

# Overview of audit risks

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

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

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

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	High	●
Improper revenue recognition	Rebutted	↔	X	Medium	●
Risk of fraud related to expenditure recognition	Rebutted	↔	X	Medium	●
Valuation of land and buildings	Significant	↔	X	High	●
Valuation of investment property	Significant	↔	X	High	●
Valuation of net pension liability	Significant	↔	X	High	●
Remeasurement of leases and right of use assets including the PFI liability as at 1 April 2024	Other	↔	X	Medium	●

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

- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

# Significant risks

Risk identified	Audit procedures performed	Key observations
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals;</li> <li>used Inflo, our data analysis software, to undertake a number of checks on the data, such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted, we followed these up with management and obtained sufficient explanations and corroboration for the reasons provided;</li> <li>tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>reviewed manual journals, within Inflo, to identify those deemed to be high risk to be selected for testing. We selected and shared our sample with management for them to provide us with evidence to support the entries. We completed our testing upon receipt of this supporting documentation;</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness; and</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul>	<p>Our testing of journals has identified the following issue:</p> <ul style="list-style-type: none"> <li>There is no formal approval process for journals below £500k. Therefore, the finance team members who have access to post journals, are effectively self approving. This presents a risk that inappropriate journals could be posted and authorised by one individual. We have noted that from January 2024 the Council implemented a control that users who are included within the 'standard journals' user group, require approval for any journal posted. However, this covers a specific group and there remain a large number of users who are able to self authorise journals below £500k. We noted that 127 users posted journals in the year and therefore can self authorise journals under £500k</li> </ul> <p>Our testing has not identified any evidence of management bias within material estimates and judgements and we have not identified any further issues.</p>

# Significant risks

Risk identified	Audit procedures performed	Key observations
Improper revenue recognition	<p>We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams.</p> <p>Where we have rebutted the risk of fraud in revenue recognition for revenue streams this is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.</p>	<p>We have not identified any material adjustments or findings in relation to improper revenue recognition.</p>
<b>Risk of fraud related to expenditure recognition</b> <b>PAF Practice Note 10</b>	<p>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 not a significant risk for the Council. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p>	<p>We have not identified any material adjustments or findings in relation to risk of fraud related to expenditure recognition.</p>

# Significant risks

Risk identified	Audit procedures performed	Key observations
<b>Valuation of land and buildings</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>written to the valuer to confirm the basis on which the valuation was carried out;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and</li> <li>tested revaluations made during the year to see if they had been input correctly into the Authority's asset register.</li> </ul> <p>We have yet to complete our:</p> <ul style="list-style-type: none"> <li>evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and</li> <li>evaluation of assets valued at a date prior to year end to ensure there has been no material movement between the date of valuation and the year end.</li> </ul>	<p>Our testing has identified the following issues:</p> <ul style="list-style-type: none"> <li>The reconciliation between the fixed asset register (FAR) and the Valuer's report (VR) identified discrepancies on nine assets, resulting in a net impact of £172,326 comprising an overstatement of £573,250 on three assets and a £745,576 understatement on six assets. These variances have arisen due to timing differences and a subsequent delay in updating the FAR.</li> <li>Techforge (the Council's asset management system) calculates depreciation by dividing the brought-forward NBV by the remaining UEL. Our testing compares this to an alternative calculation based on brought-forward GBV divided by the total UEL. This identified a variance in one of the samples which management stated arises because Techforge uses NBV as the starting point, which incorporates prior-year issues and adjustments (such as impairments or revaluations). We recalculated the potential impact of these differences and concluded that if the discrepancies were caused by prior-year issues, the impact would not be material (estimated at approximately £1.96m overstatement).</li> <li>Please see next slide for issues identified from testing of assumptions</li> </ul>

# Significant risks

## Key observations

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### Issues identified (cont.)

- As part of our testing of individual asset values we have considered the estimates and assumptions used by the valuer in their calculations. Testing identified errors in calculations which resulted in a factual misstatement of £2,336k and estimation variances of £1,903k (which are unadjusted) for those assets sampled. Extrapolating the estimation differences over the full population of revalued assets gives a total potential estimation uncertainty of £2,662k which is immaterial. The issues identified were as follows:
  - incorrect floor areas applied in the calculation;
  - floor area documentation not being retained. We have used alternative audit procedures to assess the overall reasonableness of the areas used;
  - inconsistent application of external build costs;
  - non application of increased build costs for assets classed as listed;
  - incorrect average car park income applied to the valuation; and
  - inconsistent application of buyer's costs

We have noted a number of other issues in relation to the property, plant and equipment assumptions. The errors identified in 2024/25 are not material in isolation but there is a risk that on a cumulative basis there could be a material impact on the financial statements in future years. The impact of this work has been considered within the unadjusted misstatements table. We have raised a recommendation in appendix B.

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# Significant risks

Risk identified	Audit procedures performed	Key observations
<b>Valuation of investment property</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>written to the valuer to confirm the basis on which the valuation was carried out;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>	<p>Our testing identified the following issues:</p> <ul style="list-style-type: none"> <li>Reconciliation between the fixed asset report (FAR) and valuer's report (VR) identified a variance of £342k due to management not using the final version of the VR when updating the FAR.</li> <li>As part of our testing of individual asset values we have considered the estimates and assumptions used by the valuer in their calculations. Testing identified errors in calculations which resulted in an extrapolated error of £1,801k (which are unadjusted). This was caused by a further review by the valuer which identified that the original value assigned to car parks was out of line with other similar assets and was subsequently updated.</li> </ul> <p>No other issues have been identified in the course of our testing.</p>

# Significant risks

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of net pension liability</b></p> <p>The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£67.5m at 31/03/25) and the sensitivity of estimates to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report;</li> <li>agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; and</li> <li>obtained assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>	<p>Our testing identified the following:</p> <ul style="list-style-type: none"> <li>We rely on assurance provided by the pension fund auditor over asset and liability balances included in the actuarial report. This identified that both level 2 and level 3 investments have been overstated by £16.3m and £21.04m respectively in the pension fund accounts. The Council's share of these assets is 16.28% and therefore the impact on the Council's accounts is a £6.1m overstatement which is not material and is considered to be an unadjusted misstatement.</li> <li>We identified a disclosure error as the proportion of assets did not agree to the IAS19 report provided by the actuary. Management have updated the disclosure and there is no impact on the primary statements</li> </ul> <p>No further issues have been identified</p>

# Other risks

Risk identified	Audit procedures performed	Key observations
<p><b>Remeasurement of leases and right of use assets including the PFI liability as at 1 April 2024 following the implementation of IFRS16</b></p> <p>IFRS16 requires all leases to be accounted for 'on balance sheet' by the lessee. A further amendment has changed the way in which PFI liabilities are measured and reported within the financial statements. Where there is a change in index rate the liability needs to be remeasured to include the change in index, or rate, up to the measurement date. Further, the lessee is required to assess the impact of all changes in index from the start of the PFI scheme which is likely to have a material impact on the financial statements and will require an adjustment to opening balances</p> <p>The introduction of IFRS16 has resulted in significant changes to the financial statements that are likely to be material.</p> <p>The Council's PFI liability is a significant balance within the financial statements (£196m as at 31 March 2025) and the change in accounting standard could require a material adjustment to the disclosure.</p> <p>We therefore identified the remeasurement of the Council's right of use assets and PFI liability as a risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Reviewed and confirmed the work undertaken by management to identify all relevant transactions and ensure the completeness of disclosures within the financial statements</li> <li>Reviewed the steps taken by management to identify the impact on the PFI liability and ensure that updated values have been calculated accurately and in line with the requirements of IFRS16</li> </ul> <p>We have yet to conclude our:</p> <ul style="list-style-type: none"> <li>Testing of the calculation for the PFI liability change to ensure accuracy.</li> </ul>	<p>Our work in this area is ongoing and we will report any findings to management and those charged with governance.</p>

# Other findings

# Other areas impacting the audit

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	Auditor view	Management response
<b>Revenue Expenditure Funded by Capital Under Statute (REFCUS)</b> <p>As in previous years the Council make manual adjustments to REFCUS and additions to account for prior year expenditure. Management had capitalised the expenditure as asset under construction in 2023-24 and then reclassified as REFCUS in 2024-25. As in prior years we deem that this is the incorrect treatment of the expenditure and the impact is that the additions are understated and REFCUS is overstated. The impact is £500k, which is trivial, but the figure could be material under this treatment</p>	<p>Whilst the current year impact is trivial there is scope for a material misstatement to be incurred if expenditure is classified in the same manner in future years</p>	<p>Whilst there is no material misstatement in the financial statements management should ensure that annual reviews continue to be undertaken in order to ensure that capital expenditure is classified appropriately in line with the required accounting standards</p>	<p>We will review our working practices to ensure that REFCUS spend is identified earlier in the process when asset classifying.</p>
<b>Prior year impairment</b> <p>Testing of journals identified an impairment of £1.43m to a community asset - Open Space Devonport Park in the prior year which was reversed in the current year. Management stated that this was previously spent on renovating a large flower bed(s). At that time the Capital Accountant assessed that this spend did not reflect the true value of the asset and impaired it. Similar expenditure was incurred in 2024-25 for another asset and was capitalised.</p> <p>As a result of this management revisited the impairment for Devonport Park and assessed that this was incorrect. As a result the impairment has been reversed in current year to restore the historic cost of this community asset.</p>	<p>It is noted that this is an assessment undertaken by management and therefore is subjective. The value is not material and has been subsequently corrected using a comparable transaction.</p> <p>We have reviewed management's process for assessing impairments and have not identified any issues but note that a correction has been necessary</p>	<p>The correction is not material but management should fully consider all assessments in relation to the financial statement to ensure that these are appropriately recorded.</p>	<p>We will review our processes to build in a review process for impairments.</p>

# Other areas impacting the audit

## Issue

### Useful Economic Lives

Our review of nil NBV and nil UEL assets identified the following:

1. We identified assets with nil value from the start of the year through to year-end, including 15 community assets with a gross book value (GBV) of £1 and 476 VPFE assets with a GBV and accumulated depreciation of £21.8m. These assets have no net impact to the PPE balance, so no adjustment is required. The Council confirmed that the FAR was reviewed in the prior year and will be reviewed again this year. This will be included in our report.
2. There were 195 assets in the FAR with no useful economic life (UEL) reported. We confirmed that these assets are either fully depreciated but still in use, or not subject to depreciation. Therefore, it is not unusual for them to have no UEL recorded in the FAR.

Based on the above, no adjustments are required for the identified assets with nil value or missing useful economic life (UEL). The nil value assets have no net impact on the accounts, and the absence of UEL is consistent with assets that are either fully depreciated but still in use or not subject to depreciation. The Council has confirmed prior review of the FAR and plans to conduct another review this year.

## Commentary

The impact of nil value assets is through disclosures within the financial statements. Whilst there is no impact on the primary statements this is a material disclosure within the financial statements.

We have undertaken a review and consider that the majority of these assets are still operational, as confirmed by management or not subject to depreciation and are satisfied that there is not a material misstatement in the statements.

## Auditor view

Whilst there is no material misstatement in the financial statements management should ensure that annual reviews continue to be undertaken in order to ensure that any assets that are no longer operational are removed from the FAR

## Management response

We will continue to undertake an annual review of nil NBV and nil UEL assets.

# Other areas impacting the audit

## Issue

## Commentary

### Capital Grants Received in Advance (CGRIA)

CGRIA are those grants that require conditions to be met before the revenue can be recognised. The conditions are contained within the grant offer letter and adherence to these can mean a time difference between recognition of the expenditure and recognition of the revenue and can span a number of years depending on the size of the project.

Accounting standards require that when conditions have been met that the revenue is moved from CGRIA in advance and is recognised in the Comprehensive Income and Expenditure Statement (CIES). Where this is not complied with it can lead to material misstatements within the CIES.

### Debtor accruals testing:

As part of the audit we are required to confirm that debtor accruals are accurately stated and are recorded in the appropriate period. Part of this testing is ensuring that debtors have been correctly classified, including between short and long terms, and that there is no risk of misstatements

We have reviewed the treatment of CGRIA and have confirmed the accuracy of the amounts recognised within the financial statements. We have tested a sample back to grant confirmation documentation agreed that these are capital grants.

When reviewing grant conditions we have considered that these have been met and that the revenue should be recognised. Management consider that the conditions have not been met but have not provided sufficient evidence to demonstrate that this is a reasonable assumption. We continue to discuss the issue with management and as at the date of the report have yet to reach a resolution. We have not yet identified the total value of the revenue impacted but it is likely to be material and potentially require a prior period adjustment

We have reviewed the debtor accruals and have noted that for one transaction the evidence provided showed that a short term loan had been transferred to long term debtors incorrectly. The loan maturity date is March 2026 and therefore should be classed as short term. The total error is £1.298m

## Auditor view

If management cannot provide sufficient evidence to demonstrate that conditions have not been met the Auditor will consider that the accounts are materially misstated and will issue a qualified opinion outlining the reasons for this decision

Management should review the process for recognising revenue from CGRIA and ensure that this is appropriate

## Management response

We will review the grant conditions of the grant transactions that are being queried by the auditors. Where there is insufficient evidence currently provided, we will either provide further evidence to back up the accounting treatment or will amend the accounts as required.

## Auditor View

The adjustment has a net nil impact on the balance sheet but management should ensure that all transactions are appropriately classified.

## Management response

We will look at the review process for future years to ensure that these are more robust.

# Other findings – key judgements and estimates

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £685.6m at 31 March 2025	<p>Other land and buildings comprises of specialised assets such as schools and libraries which are required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The reminder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Surplus assets are valued at the highest and best value.</p> <p>The Council values its assets on a five-year rolling programme and £429m of assets were revalued in 2024/5.</p> <p>The Council engages an internal valuer to undertake the annual valuation. For jointly owned assets, SW Norse, an external expert, has been instructed by those councils responsible for management of the assets, to complete the 2024/25 valuation of these investment properties.</p> <p>The total year end valuation of land and buildings was £685.6m, a net increase of £62.3m from the prior year (£623.3m)</p>	<p>We have assessed:</p> <ul style="list-style-type: none"> <li>the competence and experience of the Council's in-house valuers;</li> <li>the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>the adequacy of the disclosure of the estimate in the financial statements; and</li> <li>the consistency of the estimate against market data.</li> </ul> <p>We have evaluated the assumptions made by management for those assets not revalued at the year end and how management has satisfied themselves that these are not materially different to current value at year end.</p> <p>We have identified a number of issues from our testing of Land and Buildings including:</p> <ul style="list-style-type: none"> <li>variances between the valuer's report and the Council's records;</li> <li>variances between areas used for valuations and area per floor plans;</li> <li>limited or no support for assumptions used to provide valuations; and</li> <li>errors in calculations.</li> </ul> <p>Our misstatements are split between those that are factual and need adjusting which are approximately £2.3m and those that are estimation variances. Where we have identified estimation uncertainties, we have undertaken extrapolations in order to provide assurance that balances are not materially misstated. The extrapolated value of the estimation misstatements are £2.7m.</p> <p>We have used our auditor's expert to obtain further assurance of the methodology used by the valuer. This did not identify any issues that would directly impact disclosed values but did identify some issues in regard to process, including use of comparables, general reference to guidance, record keeping, market commentary and reliance on estates for information. We will include a recommendation in appendix B.</p>	We are unable to assess the adequacy of management's assumptions as we intend to issue a disclaimed opinion in relation to closing balances

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<b>Valuation of investment property</b> £219.5m at 31 March 2025	<p>The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date</p> <p>The Council's commercial investment portfolio consists of a mixture of assets comprising both industrial and commercial usage.</p> <p>The Council engages an internal valuer to undertake the annual valuation.</p> <p>The total year end valuation of investment properties was £219.5m, a net decrease of £4.2m from 2023/24 (£223.7m).</p>	<p>We have reviewed the detail of your assessment of the estimate considering:</p> <ul style="list-style-type: none"> <li>our assessment of the Council's internal valuers</li> <li>the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>the reasonableness of the overall decrease in the estimate of £14.7m. Work undertaken has identified that this is due to market conditions and no specific factor impacting either a specific class or individual asset. We also consider the change in valuer has impacted the valuations but no issues have been identified within their methodology; and</li> <li>the adequacy of the disclosure of the estimate in the financial statements.</li> </ul> <p>Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. Testing identified a number of issues including:</p> <ul style="list-style-type: none"> <li>errors within the valuers calculation sheet; and</li> <li>inconsistent application of additional asset costs, including stamp duty.</li> </ul> <p>We have used our auditors expert to obtain further assurance of the methodology used by the valuer. This has identified a number of findings outlined on the previous page.</p>	We are unable to assess the adequacy of management's assumptions as we intend to issue a disclaimed opinion in relation to closing balances

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
Valuation of net pension liability £67.5m at 31 March 2025	<p>The Council's net pension liability as 31 March 2025 is £67.5m (PY £64.4m) comprising the Local Government and unfunded defined benefit pension scheme obligations.</p> <p>The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes.</p> <p>A full actuarial valuation is required every three years and the latest full actuarial valuation was completed in 2022. A roll forward approach is used in the intervening periods, which utilises key assumptions such as a life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pensions fund liability small changes in assumptions can result in significant valuation movements.</p> <p>There has been an increase of £3.1m in the net actuarial deficit during 2024/25.</p>	<p>We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place.</p> <p>We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made:</p> <table border="1" data-bbox="931 601 2094 1013"> <thead> <tr> <th data-bbox="931 601 1249 663">Assumption</th><th data-bbox="1333 601 1564 663">Actuary value</th><th data-bbox="1597 601 1827 663">PwC range</th><th data-bbox="1861 601 2094 663">Assessment</th></tr> </thead> <tbody> <tr> <td data-bbox="931 668 1249 707">Discount rate</td><td data-bbox="1333 668 1564 707">5.8%</td><td data-bbox="1597 668 1827 707">5.6% - 5.95%</td><td data-bbox="1861 668 2094 707">Reasonable</td></tr> <tr> <td data-bbox="931 711 1249 750">Pension increase rate</td><td data-bbox="1333 711 1564 750">3.2%</td><td data-bbox="1597 711 1827 750">3.05% - 3.35%</td><td data-bbox="1861 711 2094 750">Reasonable</td></tr> <tr> <td data-bbox="931 754 1249 793">Salary growth</td><td data-bbox="1333 754 1564 793">3.9%</td><td data-bbox="1597 754 1827 793">CPI (2.9%) +1</td><td data-bbox="1861 754 2094 793">Reasonable</td></tr> <tr> <td data-bbox="931 797 1249 894">Life expectancy – Males currently aged 45 / 65</td><td data-bbox="1333 797 1564 894">21.4 / 22.7</td><td data-bbox="1597 797 1827 894">19.2 – 21.8 / 20.6 – 23.1</td><td data-bbox="1861 797 2094 894">Reasonable</td></tr> <tr> <td data-bbox="931 898 1249 995">Life expectancy – Females currently aged 45 / 65</td><td data-bbox="1333 898 1564 995">22.7 / 24.1</td><td data-bbox="1597 898 1827 995">22.7 – 24.3 / 24.1 – 25.7</td><td data-bbox="1861 898 2094 995">Reasonable</td></tr> </tbody> </table> <p>We have confirmed the consistency of the pension fund assets, liabilities and disclosures in the notes to the financial statements with the actuarial reports.</p> <p>We have received and reviewed the IAS19 assurance from the pension fund auditor over member numbers and did not identify any further issues other than those reported on page 25.</p>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.6% - 5.95%	Reasonable	Pension increase rate	3.2%	3.05% - 3.35%	Reasonable	Salary growth	3.9%	CPI (2.9%) +1	Reasonable	Life expectancy – Males currently aged 45 / 65	21.4 / 22.7	19.2 – 21.8 / 20.6 – 23.1	Reasonable	Life expectancy – Females currently aged 45 / 65	22.7 / 24.1	22.7 – 24.3 / 24.1 – 25.7	Reasonable	We are unable to assess the adequacy of management's assumptions as we intend to issue a disclaimed opinion in relation to closing balances
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# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum Revenue Provision £21.8m at 31 March 2025	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance</p> <p>The year end MRP charge was £21,840k, a net increase of £2,658k from 2023/24.</p>	<p>We have undertaken the following work:</p> <ul style="list-style-type: none"> <li>assessed whether the MRP has been calculated in line with the statutory guidance;</li> <li>considered whether the Authority's policy on MRP complies with statutory guidance;</li> <li>assessed whether any changes to the Authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full Council; and</li> <li>considered the reasonableness of the increase/decrease in MRP charge.</li> </ul>	<p>We are unable to assess the adequacy of management's assumptions as we intend to issue a disclaimed opinion in relation to closing balances</p>

# Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Civica Financials	ITGC assessment (design effectiveness only)	● Amber	● Amber	● Amber	● Amber	Management override of controls
Capita One (Academy)	ITGC assessment (design effectiveness only)	● Amber	● Amber	● Amber	● Amber	N/A
Core HR	ITGC assessment (design effectiveness only)	● Amber	● Amber	● Amber	● Amber	N/A
Activity Directory	ITGC assessment (design effectiveness only)	● Green	● Green	● Black	● Black	Management override of controls

## Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
1.	<p>● Inappropriate segregation of duties over privilege accounts within in Civica Financials</p> <p>During our review, we noted that administrative access to Civica Financials has been granted to two (2) users who have financial responsibilities. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.</p> <p><b>Risks</b></p> <p>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to</p> <ul style="list-style-type: none"> <li>- unauthorised changes being made to system parameters</li> <li>- creation of unauthorised accounts,</li> <li>- unauthorised updates to their own account privileges</li> <li>- deletion of audit logs or disabling logging mechanisms.</li> </ul>	<p>Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding of roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles.</p> <p>Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business.</p> <p><b>Management response</b></p> <p>We will review the access requirements of users and adopt a risk-based approach to reassess the segregation of duties.</p> <p>Sheona Bailey has no financial responsibilities.</p>

## Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach.
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach.

# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
2.	<p>● Lack of Third-Party Assurance (SOC Reports ) for IT Controls</p> <p>Capita One, and Core HR applications were owned and managed by their respective vendors only who host and controls database management, and application change management process on application source code level. It was noted that these application vendors did not provide SOC reports covering the above-mentioned areas as they did not undergo the third-party audits hence, assurance on below service organisation controls could not be provided for the audit period:</p> <ol style="list-style-type: none"> <li>1. Change management – whether appropriate business/ IT approvals and testing approvals are provided before deploying/ releasing the changes</li> <li>2. Developer access to Production: whether developer and implementor access is segregated in the system.</li> <li>3. Database management: whether admin access on database is restricted to appropriate personnel only.</li> </ol> <p><b>Risks</b></p> <p>Necessary controls over IT environment supporting the relevant systems operated by the service providers might not be designed, implemented and operating effectively.</p> <p>Without adequate oversight over the third-parties system administrative access, database access there is an increased risk of unauthorised or inappropriate changes to the underlying data.</p>	<p>Management should undertake a review of all IT service providers to confirm how they obtain assurance over the appropriateness and sufficiency of IT controls operated by these third-party service organisations. This should, as a minimum, include controls over the application, database and operating system.</p> <p>Where independent service organisation assurance reports are available, management should review the reports and assess impact of any findings reported. Management should also evaluate whether complementary user entity controls are sufficient and effective.</p> <p><b>Management response</b></p> <p>Civica Financials is hosted by our IT service provider Delt, not by Civica. As such Delt controls database management and application change management (version upgrades, operating system upgrades etc.), with user acceptance testing provided by PCC's financial systems team. Civica owns the application source code and is responsible for developing the database and application, but Delt &amp; PCC do supplement this occasionally with ancillary features that don't interfere with core functionality, like new SSIS packages, additional database tables etc.</p> <p>We should also note that the Council moved from the Core HR application to Midland iTrent in June 2025.</p>

# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
3. 	<p><b>Lack of Third-Party Assurance (SOC Reports ) for IT Controls</b></p> <p>Civica Financials applications is hosted and supported by IT service provider Delt and application development / version upgrade by the vendor, Civica. Plymouth City Council and Delt were responsible for the change management process for the application.</p> <p>It was noted that these service provider and application vendors did not provide SOC reports covering the above-mentioned areas as they did not undergo the third-party audits hence, assurance on below service organisation controls could not be provided for the audit period:</p> <ol style="list-style-type: none"> <li>1. Developer access to Production: whether developer and implementor access is segregated in the system.</li> </ol> <p><b>Risks</b></p> <p>Necessary controls over IT environment supporting the relevant systems operated by the service providers might not be designed, implemented and operating effectively.</p> <p>Without adequate oversight over the third-parties system administrative access, database access there is an increased risk of unauthorised or inappropriate changes to the underlying data.</p>	<p>Management should undertake a review of all IT service providers to confirm how they obtain assurance over the appropriateness and sufficiency of IT controls operated by these third-party service organisations. This should, as a minimum, include controls over the application, database and operating system.</p> <p>Where independent service organisation assurance reports are available, management should review the reports and assess impact of any findings reported. Management should also evaluate whether complementary user entity controls are sufficient and effective.</p> <p><b>Management response</b></p> <p>Civica Financials is hosted by our IT service provider Delt, not by Civica. As such Delt controls database management and application change management (version upgrades, operating system upgrades etc.), with user acceptance testing provided by PCC's financial systems team. Civica owns the application source code and is responsible for developing the database and application, but Delt &amp; PCC do supplement this occasionally with ancillary features that don't interfere with core functionality, like new SSIS packages, additional database tables etc.</p> <p>We should also note that the Council moved from the Core HR application to Midland iTrent in June 2025.</p>

# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
4.	<p><b>Lack of review of audit logs for Capita One</b></p> <p>During our review, we noted that audit logs have been enabled for user activity logging for Capita One. However no proactive monitoring is performed for activities performed for privileged users</p> <p><b>Risks</b></p> <p>Inappropriate and anomalous activity may not be detected and resolved in a timely manner.</p> <p>Additionally, unauthorised system configuration and data changes made using privileged accounts may not be detected by management.</p>	<p>Management should ensure that security event logs are reviewed on a regular basis for example weekly or monthly, ideally by an IT security personnel / team who are independent of those administrating Capita One and its underlying database.</p> <p>Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence.</p> <p><b>Management response</b></p> <p>The number of team members has reduced to two members of staff without the level of responsibility to manage this. A new team structure is imminent and will increase the size of the team. Further to this a new management role will be filled and this risk will be actioned.</p>
5.	<p><b>Audit logs are not enabled and lack of review of audit logs for Civica Financials</b></p> <p>During our review, we noted that audit logs which capture the monitoring of activities such as failed logins and use of privileged user accounts within Civica Financials, have not been enabled in the system. Furthermore, no proactive monitoring is performed for activities performed for privileged users.</p> <p><b>Risks</b></p> <p>Without appropriate audit logging, inappropriate and anomalous activity may not be detected and resolved in a timely manner.</p> <p>Additionally, unauthorised system configuration and data changes made using privileged accounts will not be detected by management.</p>	<p>Management should ensure that security event logs are enabled and reviewed on a regular basis for example weekly or monthly, ideally by an IT security personnel / team who are independent of those administrating Capita One and its underlying database.</p> <p>Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence.</p> <p><b>Management response</b></p> <p>We will ask our IT provider Delt if it is possible to enable these logs before taking further action.</p>

# **Communication requirements and other responsibilities**

# Other communication requirements

Issue	Commentary
Matters in relation to fraud	<p>We have previously discussed the risk of fraud with the Audit &amp; Governance Committee and we have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</p>
Matters in relation to related parties	<p>We are not aware of any related parties or related party transactions which have not been disclosed with the exception of the following:</p> <ul style="list-style-type: none"> <li>ARCA is a subsidiary of the Council and incurred transactions of £2,364k. Management had included the incorrect value of transactions with the related party due to timing differences between closing the accounts and receiving the relevant information. Management has updated the note to include this related party.</li> <li>Plymouth Science park is a subsidiary of the Council and incurred transactions of £1,956k. Management had incorrectly excluded the related party from the relevant note.</li> </ul> <p>Management has updated the related party note to include the above parties.</p>
Matters in relation to laws and regulations	<p>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work</p>
Written representations	<p>A letter of representation has been requested from the Council, which is included in the Committee papers. Note that this Letter is draft as at the date of the report and is subject to change on completion of the work outlined on slide 6 and the issue outlined on page 27.</p>

# Other communication requirements

Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent although it should be noted that the information was provided in late October. We have not received all the responses and have therefore undertaken further audit procedures to gain assurance over balances. No issues have been identified. We did not receive confirmation from the following organisations:</p> <ul style="list-style-type: none"> <li>• Fidelity</li> <li>• Santander</li> <li>• CCLA</li> <li>• Barclays</li> <li>• WECA</li> <li>• Isle of Wight Council</li> <li>• Danske Bank</li> </ul>
Disclosures	<p>We requested from management permission to send confirmation requests to the Pension Fund Auditor. This permission was granted and the requests were sent. This confirmation has also been provided.</p>
Audit evidence and explanations/significant difficulties	<p>Our review found no material omissions in the financial statements</p>
	<p>All information and explanations requested from management was provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the audit.</p>

# Other responsibilities

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>• The use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>• the nature of the Authority and the environment in which it operates</li> <li>• the Authority's financial reporting framework</li> <li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p>However, as this year's audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

# Other responsibilities

Issue	Commentary
Other information	Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>if we have applied any of our statutory powers or duties.</li> <li>where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	We cannot formally conclude the audit and issue an audit certificate until we have received confirmation from the NAO that the group audit has been certified.

# **Audit adjustments**

# Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

No adjusted misstatements have been identified at the date of issuing our report. We will provide an update to management and the Audit Committee should any issues be identified from the remaining testing.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
Related parties – Note 30	In our group assessment work, we have ensured that balances with Plymouth CC considered in client's assessment agrees to Related party disclosure as per note 30. We noted that client has considered loan of £1.956m given to Plymouth Science Park in their group assessment but the same is not disclosed in related party disclosure note 30. We have agreed that amount to Plymouth Science Park's statement of accounts as well and also to the long term debtors listing.	✓
Pensions – Note 34.6	Pensions - Note 34.6 - Proportion of assets has been updated to agree with IAS 19 report. Equities increased to 55%, Property increased to 19% and 'Other investments' reduced to 24%.	✓
Relates parties – Note 30	While performing debtor accruals testing, we have identified that there is a receivable balance of £2.364m from ARCA Limited which is subsidiary of the Council and that balance is not disclosed in related party disclosure note 30. We raised it with the client and they have agreed to update note 30.	✓
Throughout	A limited number of typographical errors have been identified throughout the financial statements.	✓
Throughout	One immaterial accounting policy and disclosure in relation to exceptional items has been included in the financial statements. This should be removed to avoid obscuring material information within the financial statements.	✓

# Audit adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet £'000	Impact on total net expenditure	Impact on general fund
	£'000		£'000	£'000
Errors identified from testing of individual Investment Property assets (see pg 21)	(1,462)	1,462	(1,462)	1,462
Cash flows in relation to short term loan wrongly transferred from short term debtors to long term debtors (see pg 27)		Short term loan 1,298 Long term debtors (1,298)		1,298 (1,298)
Overstatement of depreciation expense (see pg 19)	1,965	(1,965)	1,965	(1,965)
Errors identified between the fixed asset register and the valuers report. (see pg 19)	SDPS (388) Revaluation reserve (1,945)	2,333	(388) (1,945)	2,333
We rely on the pension fund auditor to verify valuations at the pension fund. This work identified overstatements in level 2 and 3 investments and the adjustment represents the Authority's share (see pg 22)	6,077	(6,077)	6,077	(6,077)
Factual errors identified in testing of individual PPE assets (see pg 19)	(2,336)	2,336	(2,336)	2,336
Estimated extrapolated errors identified in testing of individual PPE assets (see pg 19)	(2,661)	2,661	(2,661)	2,661
<b>Overall impact of current year unadjusted misstatements</b>	<b>(750)</b>	<b>750</b>	<b>(750)</b>	<b>750</b>

# Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<span style="color: yellow;">●</span> <b>Medium</b>	<p>Journals testing has identified a number of segregation issues including:</p> <ul style="list-style-type: none"> <li>There is in-built system deficiency that is not able to segregate the posting and authorising function for journals over the council's authorisation limit of £500k. Specific testing in relation to this has been undertaken and no issues identified, and the Council use a manual detective control. However, this can lead to error; and</li> <li>the ability for posters to authorise their own journals.</li> </ul> <p>There is a risk that inappropriate journals will be posted leading to fraudulent transactions or misreporting within the financial statements</p>	<p>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.</p> <p><b>Management response</b></p> <p>The Council has a robust set of reconciliations and monitoring processes in place to support the posting of journals. All journals above £500k are required to be authorised and to have attachments of associated working papers. If they are self approved, there is a system automated alerter process which operates daily to notify staff when they have self approved the journal or failed to attach sufficient notes and documents to the journal.</p>
<span style="color: yellow;">●</span> <b>Medium</b>	<p>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</p>	<p>Management should ensure that all supporting information is maintained and is consistent with disclosures made in the statement of accounts</p> <p><b>Management response</b></p> <p>Work is underway to obtain and collate floor plan information in a manner consistent with the resources available to do so.</p>

## Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan

## Assessment Issue and risk

### Medium

Testing of assumptions used for land and building valuations identified the following:

- incorrect BCIS rates applied;
- inconsistent application of external build costs;
- incorrect application of professional fees;
- use of school pupil number data from Q1 2024 instead of Q1 2025; and

None of these errors are material in isolation but there is a risk that the cumulative effect will have a material impact on the financial statements.

### Medium

Our work identified adjustments to REFCUS whereby management have corrected prior period errors in the current period, relating to REFCUS spend incorrectly classified as PPE additions in prior years. This has resulted in an unadjusted misstatement reported on the 'Misstatements' tab. This issue was also raised in prior year audits.

## Recommendations

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.

### Management response

We do not agree that there is an inconsistency across the use of External Build Costs. We have not received an explanation of this point from the Auditor but believe it to be referencing the fact that BCIS rates are rebased to the most relevant Quarter in which the valuation is undertaken. We understand that this is the industry standard and will seek to peer review this.

We do not agree that there is an inconsistent application of buyers costs, although we haven't received an explanation of this point from the Auditor. Our position on accounting for transaction fees has been disclosed and discussed at prior audit.

We are satisfied that the two other errors referred to are isolated calculation errors, that while regrettable, do not warrant further action.

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 REFCUS in that year accordingly.

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

### Management response

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 Project Officers at year end.

# Action plan

## Assessment Issue and risk

### Medium

The reconciliation between the fixed asset register (FAR) and the valuer's report (VR) identified discrepancies on nine assets, resulting in a net impact of £172,326 comprising an overstatement of £573,250 on three assets and a £745,576 understatement on six assets. These variances have arisen due to timing differences and a subsequent delay in updating the FAR.

## Recommendations

Management should ensure that the FAR and Valuer's report are consistent. Management should ensure that all valuation information is available before closing the accounts in order to ensure accuracy.

### Management response

We have had the added complication of the introduction of IFRS16 this year. However, we will introduce more control checks prior to posting year end journals. We will also have to consider how to implement the changes for indexation so will review our working practices for the FAR to ensure more overall control.

### Medium

Techforge (the Council's asset management system) calculates depreciation by dividing the brought-forward NBV by the remaining UEL. Our testing compares this to an alternative calculation based on brought-forward GBV divided by the total UEL. This identified a variance in one of the samples which management stated arises because Techforge uses NBV as the starting point, which incorporates prior-year issues and adjustments (such as disclaimers, impairments, or revaluations). We recalculated the potential impact of these differences, and concluded that if the discrepancies were caused by prior-year issues, the impact would not be material (estimated at approximately £1.96m overstatement).

Management should review the depreciation policy to ensure that is appropriate and that it is in line with the requirements of the Code and the standards

### Management response

We will have to review our depreciation policy next year to consider the introduction of indexation and will develop our policy further to ensure that our practices are compliant.

# Action plan

Assessment	Issue and risk	Recommendations
<span style="color: green;">●</span> <b>Low</b>	<p>Related party disclosure - Note 30</p> <p>In our group assessment work, we have ensured that balances with Plymouth CC considered in client's assessment agrees to Related party disclosure as per note 30. We noted that client has considered loan of £1.956m being given to Plymouth Science Park which is not disclosed in related party disclosure note 30. Further transactions with ARCA to the value of £2.364m have not been included meaning the reader of the accounts will not have full clarity on the related parties for the Council</p>	<p>Management should ensure all related party disclosures are included within the financial statement disclosures.</p> <p><b>Management response</b></p> <p>We will review our procedures for agreeing company balances in relation to the related party note. This can be difficult in terms of timing due to the tight deadline for the production of the accounts. However, we will work with our colleagues in the Commercial Finance team to improve the reporting.</p>

# Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2023/24 financial statements, which resulted in 15 recommendations being reported in our 2023/24 Audit Findings Report. Management have addressed 10 of the recommendations and testing in 2024-25 has identified that 5 recommendations remain and have been raised once more in 2024-25.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Journals testing has identified a number of segregation issues including:</p> <ul style="list-style-type: none"> <li>• There is in-built system deficiency that is not able to segregate the posting and authorising function for journals over the council's authorisation limit of £500k. Specific testing in relation to this has been undertaken and no issues identified, and the Council use a manual detective control. However, this can lead to error; and</li> <li>• the ability for posters to authorise their own journals.</li> </ul> <p>There is a risk that inappropriate journals will be posted leading to fraudulent transactions or misreporting within the financial statements</p>	<p>Testing of journals in 2024-25 has again identified that this issue still exists. We have discussed this with management and compensatory controls are in place to mitigate risk. Whilst we accept that this is a system issue the risk still exists and, therefore, we have raised the recommendation in the action plan.</p>
X	<p>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</p>	<p>We have again identified that floor plans are not available for certain assets and that in some cases the floor plan did not agree to the value used in the calculation. We have undertaken alternative audit procedures and have reported the variance.</p>
X	<p>Our work identified adjustments to REFCUS whereby management have corrected prior period errors in the current period, relating to REFCUS spend incorrectly classified as PPE additions in prior years. This has resulted in an unadjusted misstatement reported on the 'Misstatements' tab. This issue was also raised in prior year audits.</p>	<p>Management has undertaken similar transaction in 2024-25 and whilst these are not material they control issue still exist. We have again raised the issue in the action plan.</p>

## Assessment

- ✓ Action completed
- ✗ Not yet addressed

# Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>We have identified a number of issues with depreciation including:</p> <ul style="list-style-type: none"> <li>• brought forward accumulated depreciation on disposals for infrastructure assets incorrectly charged to depreciation and not disposal;</li> <li>• the fixed asset register calculating depreciation by dividing brought forward net book value by remaining useful economic life. Recalculation identified an overstatement of £3,264k which is due to errors in the application of depreciation in prior year backstopped audits;</li> <li>• one infrastructure asset that had been incorrectly classified as land rather than a depreciable asset. This resulted in accumulated depreciation not being charged and an understatement of £18k; and</li> <li>• 2022/23 revaluations having been entered on the FAR with a valuation date of 01-04-2023 meaning accumulated depreciation was not reversed and therefore impacted the 2023/24 accounts disclosure. This has resulted in an adjusted misstatement of £10.6m to the revaluation reserve, £501k to depreciation and £269k to disposals.</li> </ul>	<p>We have identified further issues within depreciation but the listed issues have not been noted in the 2024-25 testing. We are, therefore, satisfied that this recommendation has been addressed.</p>
✗	<p>Testing of assumptions used for land and building valuations identified the following:</p> <ul style="list-style-type: none"> <li>• incorrect BCIS rates applied;</li> <li>• inconsistent application of external build costs;</li> <li>• incorrect application of professional fees;</li> <li>• use of school pupil number data from Q1 2023 instead of Q1 2024; and</li> <li>• double counting of adjustments.</li> </ul> <p>None of these errors are material in isolation but there is a risk that the cumulative effect will have a material impact on the financial statements.</p>	<p>Testing of individual assets in 2024-25 has identified the same issues as highlighted in 2023-24. We have included this recommendation in the action plan</p>

# Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Testing of the valuation of assets also identified the following issues:</p> <ul style="list-style-type: none"> <li>the value of surplus asset disposals were incorrectly stated;</li> <li>management incorrectly classified land and buildings for one asset leading to incorrect treatment of valuation movements; and</li> <li>the disposal of an Academy school had been incorrectly classified within the CIES.</li> </ul> <p>None of these issues are individually material but there is a risk that cumulatively there could be a material misstatement in the financial statements</p>	<p>Testing of individual assets in 2024-25 has not identified similar issues and, therefore, we are satisfied that this recommendation has been appropriately addressed.</p>
✓	<p>The code and accounting standards requirement retirement obligations to be considered as part of the valuation process and reported, even where there is a nil impact. Management have not included this within their considerations</p>	<p>Review of management's processes has confirmed that retirement obligations have been considered as part of the year end process. Therefore, we are satisfied that this recommendation has been addressed</p>
✓	<p>Where assets are valued before 31 March, or in previous years, there is a risk that there will be a material variance between the carrying value and the current value at the Balance Sheet date. The valuer should undertake a documented exercise to provide assurance to management that no such risk exists at each Balance Sheet date</p>	<p>Testing has confirmed that management have undertaken an exercise to consider if there is a material variance between the valuation date and the balance sheet date. Therefore, we are satisfied that this recommendation has been addressed.</p>
✓	<p>Through general testing of transactions we have identified a number of errors including incorrect classification, improper recognition of accruals and adjustments from prior years. We recognise that there have been challenges presented from prior year audits and there is a risk that errors impair the ability of the reader of the accounts to assess the Council's performance within the year.</p>	<p>These are considered to be issues that were specific to testing undertaken in 2023-24. Testing has not identified similar in 2024-25 and therefore, we are satisfied that this recommendation has been addressed</p>

# Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>The council have made the decision not to revalue 0.4% of their assets within 5 years. This is against the CIPFA Code (4.1.2.38) which specifies that assets should not be revalued at intervals greater than 5 years. Whilst the value of those assets not revalued is not material it is a requirement of the Code that all assets be revalued</p>	<p>Work undertaken in 2024-25 has confirmed that all assets have been revalued within five years and, therefore, this recommendation has been addressed.</p>
✓	<p>We have engaged Auditor Experts to assess management's processes for valuations which has identified the following:</p> <ul style="list-style-type: none"> <li>• Valuer should tabulate and retain all comparable used</li> <li>• Instructions to the valuer should reference all relevant guidance</li> <li>• The Council should keep a clear record of their inspection programme</li> <li>• A table of all categorisation changes should be included within the report</li> <li>• Information should be sourced, where possible, from third parties and the market and not solely from the Estates and Asset managers</li> <li>• A market commentary should be included within the report</li> </ul>	<p>We have again employed an Auditor's expert to assess management's processes in 2024-25. This work has not identified any issues and therefore we are satisfied that this recommendation has been addressed.</p>
X	<p>Related party disclosure - Note 30</p> <p>In our group assessment work, we have ensured that balances with Plymouth CC considered in client's assessment agrees to Related party disclosure as per note 30. We noted that client has considered loan of £1.956m being given to Plymouth Science Park which is not disclosed in related party disclosure note 30.</p>	<p>Management have again not included Plymouth Science park within the related party disclosures. We have raised the review point again in the 2024-25 action plan</p>

# Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	The accumulated absences accrual uses data from 2009-2014 to estimate the average leave balances outstanding. This has not been updated as PCC determined it would not be materially different, however there is a risk that the data is out of date given changes to working habits as a result of the COVID pandemic.	We have tested the 2024-25 provision and are satisfied that the calculation is based on appropriate, relevant and timely information and therefore are satisfied that this recommendation has been addressed.
✓	For some of our payroll samples, management was not able to provide the employee's contract. We have performed additional procedures to gain assurance over these but recommend the Council hold contracts for all employees.	Payroll testing in 2024-25 has not identified any issues with provision of supporting evidence and we are satisfied that this recommendation has been addressed
✓	Where Senior Officer remuneration is for part-year or individuals work on a non full time basis, management should consider the annualised salary amount to consider where disclosure is required, including naming the individual. We have identified some individuals where the annualised amount would be greater than £150k and therefore would require naming within the accounts.	Testing has not identified any issues in terms of disclosures and senior officers have been appropriately disclosed. Therefore, we are satisfied that this recommendation has been addressed

# **Value for Money arrangements**

# Value for Money arrangements

## Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30<sup>th</sup> November each year from 2024-25. Our draft AAR was reported to you on 18 November 2025 audit & governance committee.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



### Improving economy, efficiency and effectiveness

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



### Financial sustainability

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



### Governance

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

In undertaking this work we have identified significant weaknesses in arrangements for financial sustainability and Improving economy, efficiency and effectiveness resulting in four key recommendations. We have also made seven improvement recommendations.

# Independence considerations

# Independence considerations

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

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or investments held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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

# Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Plymouth City Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that we are satisfied that the level of fee is not significant in relation to the fee for the audit or to Grant Thornton UK LLP's turnover

<b>Audit fees</b>	<b>£</b>
Audit of Authority	409,064
Auditor's Expert (Estimate)	7,500
IFRS 16	TBC*
<b>Total</b>	<b>TBC*</b>

\* We have yet to complete our work in this area and will provide a full reconciliation of costs on the final version of the report

# Fees and non-audit services

## Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	34,253	35,058	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £69,311 in comparison to the total fee for the audit of £416,564 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 Teacher's Pension return	12,500	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 is £25,000 in comparison to the total fee for the audit of £416,564 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	46,753	47,558		

# Fees and non-audit services

## Total audit and non-audit fee

(Audit fee) 416,564

(Non-audit fee) 94,311

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

The fees reconcile to the financial statements as follows:

• fees per financial statements	£474,122
Add	
• 2023-24 Housing Benefit	£34,253
• 2023-24 Teacher's Pension	£12,500
Less	
• IFRS 16 Estimate included in audit fee	(£10,000)
• total fees per above	£510,875

This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

# Appendices

# A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit	●	
Significant matters and issue arising during the audit and written representations that have been sought	●	
Significant difficulties encountered during the audit	●	
Significant deficiencies in internal control identified during the audit	●	
Significant matters arising in connection with related parties	●	

# A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		
Non-compliance with laws and regulations		
Unadjusted misstatements and material disclosure omissions		
Expected modifications to the auditor's report, or emphasis of matter		

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.



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