The Audit Findings for Sedgemoor District Council

Year ended 31 March 2023

Contents

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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, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with Somerset Council management and Audit Committee.

Julie Masci

Name: Julie Masci
For Grant Thornton UK LLP
Date: 13 March 2024

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Sedgemoor District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

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

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council'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 inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely during October 2023 to March 2024. Management provided a draft set of accounts in August 2023, past the statutory publish date, and an initial review considered that these were not of the appropriate quality. A number of issues and omissions were identified including data in the accounting vs funding basis disclosure, omitted accounting policies such as cash and cash equivalents and brought forward balances that had not been updated for prior year adjustments. This required a further iteration of the draft accounts which were provided in November 2023 which caused some delay in the audit reconciliation and sample process.

Our findings are summarised on pages 6 to 25. We have identified one adjustment to the financial statements that have resulted in a £13.8m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

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;

- Review of financial instruments
- Review of the recategorisation and basis of valuation, including key assumptions, of Northgate Yard
- Consideration and agreement of exit packages
- Review of the going concern assumption
- Finalising testing of completeness of expenditure
- 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, is consistent with our knowledge of your organisation and the financial statements we have audited.

Subject to the satisfactory resolution of the matters identified in relation to the Northgate Yard development we anticipate issuing an unqualified opinion, including an Emphasis of Matter paragraph highlighting the Council's demise and the creation of Somerset Council from 1 April 2023. Our work on the Council's value for money (VFM) arrangements is complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. 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 Council 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 Council'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 Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed all of our VFM work and are in a position to issue our Auditor's Annual Report. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of the arrangements for transition to the new Unitary Authority. We issued three key recommendations in relation to significant weaknesses identified in financial sustainability and governance. In addition we issued two improvement recommendations in relation to governance and a further improvement recommendation in relation to improving economy, efficiency and effectiveness A summary of our findings, including further detail on the key recommendations, can be found on page 27.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit in our audit report opinion.
Significant matters	We have identified two issues have required further audit work to be undertaken to complete the audit: • A review of Assets under Construction identified that control of Northgate Yard had been handed back to the Council in October 2022 but had not been reclassified or revalued in line with the requirements of the standards and Code. This has required management to consider what the appropriate classification is and provide a revalued amount to ensure that the asset has been accurately recorded in the statement of accounts. This work is still ongoing and is likely to lead to a material adjustment to the statements. Further detail is included on page 13. • We undertake a review of the Council's minutes which identified two exit packages with a value of £183k had been approved before 31 March 2023. As per the Code these should have been included within the exit package disclosure but management have chosen not to. We have undertaken further testing for post year end salary payments to ensure no further potential exit package payments have been made that were approved prior to 31 March 2023. See page 22 for further consideration.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us constructively through the queries, although we have experienced delays in the provision of information, and the current list of outstanding items can be found on page 3. As reported in the appendices, there have been a number of audit adjustments posted through the financial statements including some material changes to the Council's balance sheet. Local Government Reorganisation (LGR) has also added some extra complexity to certain areas of the accounts and audit for 2022/23. At the time of writing, we have yet to agree the additional fee impacts that these delays and adjustments will incur.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Somerset West and Taunton invested in a £37m commercial property portfolio in the 3 years to 2021/22. The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Sedgemoor is not immune to the challenges the current financial environment present, and there has been a significant decrease in the value of some investment properties as a result of the prevailing conditions. However, the Council are taking steps to manage this process and have avoided making inappropriate investments or significant increase in borrowings. The challenge will remain for the coming years and we will continue to monitor the new Unitary Council's performance, who now have responsibility for these investments, both in the financial statements and through the assessment of VfM arrangements.

2. Financial Statements

Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of Homes in Sedgemoor was required, which was completed by Bishop Fleming UK LLP; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified, with an emphasis of matter in relation to going concern and the local government reorganisation, audit opinion following the Audit Committee meeting on 28 March 2024. These outstanding items are listed on page 3

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan.

We set out in this table our determination of materiality for Sedgemoor District Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,535,000	1,490,000	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 2% was an appropriate rate to apply to the expenditure benchmark.
Performance materiality	1,150,000	1,117,000	Our performance materiality has been set as 75% of our overall materiality
Trivial matters	75,000	75,000	Calculated as a percentage of headline materiality and in accordance with auditing standards

2. Financial Statements: Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Risk relates to
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals, including undertaking a walkthrough of the process and controls. No issues were identified from completion of this • obtained a full download of the general ledger alongside the trial balance and uploaded these onto our data analysis software, Inflo. • Inflo undertakes 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 by Inflo, we followed these up with the Council and obtained sufficient explanations and corroborations for these. • we have reviewed the manual journals within inflo to identify those deemed to be high risk to be selected for testing. We selected and shared the sample of journals with the Council for them to provide us with evidence to support the entries and will complete our testing upon receipt of the supporting documentation. Our testing has not identified any issues in respect of management override of controls.	Group – All entities
ISA240 revenue risk - the Council's reported revenue contains fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Sedgemoor District Council, mean that all forms of fraud are seen as unacceptable. • The majority of income in subsidiaries is a single source of funding from the Council in the form of a small number of management fees or loan transactions which are easily verifiable. This, along with minimal third party income, means there a limited opportunities to manipulate revenue. Therefore, we do not consider this to be a significant risk for Sedgemoor District Council	Group – All entities

2. Financial Statements: Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Risk relates to
The expenditure cycle includes fraudulent transactions (rebutted) Practice note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition." Public sector auditors therefore, need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit	We have considered both pay and non pay costs and considered there to be little opportunity for fraudulent transactions. Pay costs are determined by employee contracts and are standard monthly payments. Non pay costs are based on supplier invoice transactions and have to be paid within a set timeframe. As part of the audit we have considered the completeness, accuracy and occurrence of expenditure transactions by: • Evaluating the design and implementation effectiveness of the accounts payable process • Testing a sample of transactions incurred around the year end to ensure these have been accounted for in the appropriate financial period • Testing a sample of accruals made at year end that have not yet been invoiced to assess whether the valuation has been calculated on an appropriate basis. Therefore, we do not consider this to be a significant risk for Sedgemoor District Council and have rebutted this presumed risk. Our testing has not identified any issues in relation to fraudulent transactions in the expenditure cycle	Group – All entities
Valuation of Council Dwellings The group revalue its land and buildings, including HRA properties, on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management use the services of an internal valuer to estimate the current value as at 31 March 2023. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work. • evaluated the competence, capabilities and objectivity of the valuation expert. • written to the valuer to confirm the basis on which the valuations were carried out. • Reviewed management's assumptions on the categorisation of Beacon properties to ensure Council Dwellings were appropriately allocated in line with the requirements of the Code and in line with the Stock valuation resource accounting 2016:guidance for valuers provided by central government • Tested on a sample basis revaluations made in the year to ensure these have been completed appropriately and input correctly into the Council's assets register Testing identified two properties that the Council had purchased that were uninhabitable that had not been included within the Council Dwellings list. We accepted management's explanation that these were not included as they could not currently be used to house tenants. However, we further noted that these had not been included within Assets Under Construction and therefore this balance was understated by £208k. No further issues have been identified.	Council

2. Financial Statements: Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Risk relates to
Valuation of Investment Properties The Council revalue Investment Properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£36.6m) and the sensitivity of this estimate to changes in key assumptions We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation report; • Written to the valuer to confirm the basis on which the valuations were carried out; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Tested revaluations made during the year to see if they have been input correctly into the Council's asset register; • Tested on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register. We have been provided with evidence by management and have agreed movements in year back to the supporting documentation Testing identified the following issues: • Reconciliation between the valuers report and the fixed asset register identified two assets that had been incorrectly updated in the Council's records with a variance of £651k. • One asset where the valuation was based on historical data. A recalculation using 2022-23 data identified a £389k variance in the valuation. • Testing of the investment Property held by Aspen Housing and Development Ltd identified an error in the valuer's calculation which has resulted in an overstatement of £150k at both the Group and subsidiary level. The adjustments are shown in appendix C and recommendations have been raised.	Council and Aspen Housing & Development ltd

2. Financial Statements: Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Risk relates to
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£22.2m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We: • Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • We have discussed with the pension fund auditor 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. Additional queries have been required to be made following clarification by the regulators that they expect admitted body auditors to gain sufficient assurances over the independent valuation of all investment assets and controls within the Pension Fund. We have requested this information and have been provided with a response by the Pension fund auditor. We have reviewed this information and no further issues have been identified. Our work identified one disclosure issue where adjustments made to the actuarial assumptions had not been reflected in the pension disclosure note. This does not impact the primary statements but a recommendation has been raised. The disclosure notes have been updated for prior year adjustments. No further issues were identified.	Council & Homes in Sedgemoor

2. Financial Statements: Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Risk relates to
Valuation of land and buildings The group revalue its land and buildings, including HRA properties, on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management use the services of an external valuer to estimate the current value as at 31 March 2023. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work. • evaluated the competence, capabilities and objectivity of the valuation expert. • written to the valuer to confirm the basis on which the valuations were carried out. • reviewed the fixed asset register and valuation reports to identify a sample of land and buildings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation • for each item within our sample requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. Our testing has identified the following issues: • Data provided to the valuer to calculate the value of car parks was based on historical data. We have undertaken a recalculation using the 2022-23 data which has identified an understatement £1,157k • Testing identified 5 assets for which supporting data did not agree to the assumptions used including rents applied and floor areas. We have undertaken a recalculation which has identified an overstatement of £1,247k. The net of the this variance and that identified above is £89k and therefore we are satisfied that fixed assets are not materially misstated • Two assets that had been increased in value by £38k through the valuer's review on the basis of enhancement work being undertaken before the year end when work had not started until 2023-24. The valuer had been erroneously provided with these invoices and had based their calculation on this information. We have raised recommendations in Appendix B and assessed the misstatements in Appendix D.	Council

2. Financial Statements - Observations in respect of other risks (continued)

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	
Assets under Construction Review of assets under construction has identified two issues where assets have been incorrectly classified.	We have reviewed assets under construction and identified two issues. • A significant Council development, Northgate Yard, was included within the financial statements as an asset under construction when disclosures in the accounts, and further audit consideration, identified that work had completed and ownership of the asset had reverted to the Council in October 2022. Following our challenge to management on the asset categorisation, this has subsequently required a new revaluation of the asset which has seen the value reduce from £16.4m to £2.6m at 31 March 2023. This has required a material adjustment to the balance sheet to accurately reflect the re-categorisation of the asset. We are currently reviewing management's assumptions in relation to its classification of the asset as an Investment Property, as well as understanding the key assumptions used to inform the Council's valuation. We will provide a further update to members, once management has provided responses to our enquiries to allow us to conclude that the categorisation and valuation is reasonable and appropriate. • We have also identified two Council dwellings repurchased by the Council that are not currently habitable. These have been classified as additions and it is audit's view that these should be assets under construction. The two properties have not been included in the property schedule as they require work. The total value of the assets is £207,500 which is not material and has been included within the misstatements schedule.	**Auditor view** Management should ensure that assets are appropriately categorised and that assets under construction reflect only those assets that are subject to further work and additions and have not been completed **Management response** A full review of assets classified as under construction will be conducted as part of the standard year end processes, ensuring any becoming operational are included in the valuation instructions. Owner: Chief Accountant.

2. Financial Statements - Observations in respect of other risks (continued)

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	
Completeness As part of our audit work, we perform completeness checks on income, expenditure, debtors and creditors transactions around the year end to check that accounting entries are recorded in the correct financial year. We also look at bank transactions as supporting evidence. Due to the Local Government Reorganisation, the 'after year end' transactions would be with the new Unitary Council and as Auditors to four of the legacy Councils, being Sedgemoor, Somerset West and Taunton, Somerset County, and South Somerset, we decided to perform this piece of work once, covering all four entities.	We have completed our testing on the completeness samples and have noted several errors, however because they were derived from populations that could not be disaggregated by legacy council and council specific listings were unavailable, it was deemed appropriate to evaluate the results of each of the testing documents in the same way for each legacy council, by apportioning the error values across the Councils based on each Council's cost of service figure as reported in their draft financial statements. A breakdown of these errors relating to Sedgemoor is shown as: **Expenditure – Bank Payments** – The total sample error rate was only 1.85%, giving us assurance that there is a low risk of material misstatement and was made up of a transposition error and unaccrued 2022/23 expenditure that was not yet paid. Sedgemoor's share of this error is £176k understatement. Testing of year end transactions, posted by Sedgemoor, prior to year end also identified a further error in relation to management not accrue for expenditure for the purchase of a property that was not completed in 2022-23. This was funded by Revenue Expenditure Funded by Capital Under Statute (REFCUS) and has led to an overstatement of £210k. The net overstatement is £34k **Expenditure – Invoices Received** - The total sample error rate was only 4.96% for the errors that were apportioned, giving us assurance that there is a low risk of material misstatement, this was made up of an accrual estimate with a high variance, an unaccounted-for credit note, and unaccrued 2022/23 expenditure that was not yet paid. Sedgemoor's share of this error is £93k overstatement. Subsequent tested of invoices received by Sedgemoor, prior to year end, identified two further errors which led to an overstatement of £71k. These errors were misclassification of a prepayment in the wrong year and incorrect apportionment of costs over two financial years. Therefore, the overall error in relation to Invoices received is a £197k overstatement **Income – Invoices Raised** - The total sample error rate was only 0.27% for the errors that were apportioned, giving us assurance that there is a low risk of material misstatement, this was made up by only one sample that related to unaccrued 2022/23 income that was not yet received. Sedgemoor's share of this error is £2k understatement. Over the course of our audit testing on completeness a number of issues were identified within the Council's new finance system that, although had no effect on the 2022/23 audit, Management should take into consideration.	**Auditor view** Management should ensure expenditure and revenue is accurately classified within the financial statements and within the year to which they relate **Management response** The errors identified are accepted as largely trivial or not material. Accruals and year end processing guidance has been drafted and issued for Somerset Council staff. Daily drop in session are scheduled by the Chief Accountant to support and advice staff with the close down of accounts.

2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Sedgemoor District Council	Grant Thornton	See pages 8-13 for significant risks work undertaken and any issues identified.	There is a material adjustment of £13.8m to the balance sheet to reflect the re-categorisation of the asset under construction.
Homes In Sedgemoor	Bishop Fleming	Full scope UK statutory audit performed by Homes in Sedgemoor Auditors, Bishop Fleming. The nature, time and extent of our involvement in the work included a discussion on risks, followed by the review of relevant aspects of the Homes in Sedgemoor auditor's audit documentation and meeting with appropriate members of management. A review of the Pension Liability, cash, debtors, creditors and payroll was undertaken to provide assurance to the overall group position. Bishop Fleming have completed their audit and issued an unqualified opinion.	As part of our review of the group accounts we have undertaken a review of the component auditors work to ensure that key risks have been addressed and that no issues which would impact on the group opinion had been identified. Our work has not identified any issues in relation to the audit of the component.
Sedgemoor Group Ltd	Grant Thornton	This is not a significant component and work is limited to analytical review of the transactions relating to the component.	Our work has not identified any issues in relation to this component.
Aspen Housing & Development Ltd	Grant Thornton	Aspen Housing has one asset that is contained within the group balance sheet. We have included this asset in our PPE work to ensure that is appropriately valued.	Our testing of the investment Property held by Aspen Housing and Development Ltd identified an error in the valuer's calculation which has resulted in an overstatement of £150k at both the Group and subsidiary level

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £23.986m Investment Property valuations - £39.273m	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 and Investment properties are valued at the highest and best values. The Council engages its external valuer to undertake the annual valuation. The Council's land and buildings, surplus assets and investment properties are revalued in full annually at the valuation date of 31 March. The total year end valuation of land and buildings was £23.986m, a net increase of £1.011m from the prior year (£22.975m)	We have reviewed the detail of your assessment of the estimate considering: • The assessment of the Council's external valuers • The completeness and accuracy of the underlying information used to determine the estimate • The reasonableness of the overall increase in the estimate • The adequacy of the disclosure of the estimate in the financial statements • The sensitivities used by the valuer to assess completeness and consistency with our understanding and • Consistency of the estimate against Gerald Eve reported indices Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. Management have been able to provide appropriate audit evidence to support these underlying assumptions Testing has identified two investment property assets that have not been appropriately updated in the fixed asset register and one investment property asset where historical data has been used for the valuation. Recalculation of the value using 2022-23 data identified a variance of £389k. Within the Other Land and Building population, we identified that car parks had also been revalued using historical data. Audit undertook a recalculation using current data and identified an understatement of £1,157k. We also identified variances in the recalculation of other assets as a result of changes in rent values and gross internal area. This led to an overstatement of £1,247k . The sum of these variances is a net overstatement of £89k which has impacted six assets from our sample of 14 and 9 assets overall.	Light Purple

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £247.242m	The Council owns 4,014 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Wilks, Head and Eve to complete the valuation of these properties. The year end valuation of Council Housing was £247.242m, a net increase of £19.440m from 2021/22 (£227.802m).	Council dwellings represent a significant proportion (£247m) of the Council's asset base and in accordance with the CIPFA code, these assets are valued in line with the *Stock valuation resource accounting 2016 : guidance for valuers* which has been provided by Central Government. We have assessed the Council's valuer to be competent, capable and objective. We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report. The valuation method remains consistent with the prior year although we are still to complete our work in this area and specifically in relation to Northgate Yard. We have carried out sample testing of beacon properties to test the reasonableness of the beacon applied and reviewed the classification of non beacon properties to ensure these are appropriately classified. We have undertaken a review of the values against the Gerald Eve trends to ensure that there is not a material variance between the fair value and the market value. We have agreed the HRA valuation report to the Statement of Accounts.	TBC

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr><td>Net pension liability – £22.199m</td><td>The Council's net pension liability at 31 March 2023 is £22.199m (PY £71.001m) comprising the Somerset Pension Fund Local Government defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2022. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</td><td>• 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.
• 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:
<table><tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>4.8%</td><td>4.7% - 4.9%</td><td>●</td></tr><tr><td>Pension increase rate</td><td>2.8%</td><td>CPI + 0.1% = 2.8%</td><td>●</td></tr><tr><td>Salary growth</td><td>4.2%</td><td>CPI + 1.5% = 4.2%</td><td>●</td></tr><tr><td>Life expectancy – Males currently aged 45/65</td><td>23.7 / 22.4</td><td>22.4 – 24.3 / 21.0 – 22.6</td><td>●</td></tr><tr><td>Life expectancy – Females currently aged 45/65</td><td>26.4 / 24.4</td><td>25.3 – 26.6 / 23.5 -24.7</td><td>●</td></tr></table>• We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports and did not identified any inconsistencies.
• The Council has considered that the impact of GMP equalisation is not material to the Statement of Accounts. Based on our review of this area we concur with this view</td><td>Light Purple</td></tr>
</table>

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £36.310m	The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income. There is a requirement to assess whether income received has conditions attached and should therefore be considered grant income or another classification of income. This will allow the Council to ensure the correction presentation of revenue in line with the Code.	• We have reviewed management's processes for identifying whether they are agent or principal for grant income and ensured that the appropriate disclosures have been made in the statement of accounts • We have agreed a sample of grant income to third party documentation including the grant paying body to ensure that revenue has been correctly disclosed • We have reviewed supporting documentation to identify any conditions an ensure that the Council has complied with these • We have reviewed year end accruals to understand how these have been calculated and that these are appropriately accounted for. • We have reviewed the Council's assessment as to whether they are acting as principal or agent in the treatment and recognition of grant revenue, and specifically covid grant funding, and considered that this is appropriate We have not identified any issues in relation to this area and considered that the disclosures in the statement of accounts are appropriate.	Light Purple

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £1.365m	The CLG guidance requires the Authority to approve an annual MRP statement each year end. For capital expenditure incurred before 1st April 2008 MRP will be determined on accordance with the former regulations that applied on 31st March 2008. For unsupported capital expenditure incurred after 31st March 2008 MRP will be determined by charging expenditure over the expected useful life of the relevant assets in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over the life of the asset. Where loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead. This may be reviewed and replaced by a prudent provision if it becomes apparent that the loan may not be repaid	• There are a number of assets included within the assessment of the provision that have useful economic life of more than 50 years and for which no confirmation has been provided, by a qualified person, that this is appropriate. This does not accord with the updated guidance although management have stated that these assets were owned prior to the change and therefore the treatment is appropriate. It is audit's view that this is applicable and the issue is that the Council have not reviewed the treatment to assess whether it is still appropriate for the asset base. We have recalculated the variance, basing all assets at 50 years which results in a £16,226 variance. Over the life of the assets, within this category, the cumulative variance is £190,011. Neither of these is material. A recommendation in relation to this has been raised.. We have undertaken an exercise to calculate the MRP in line with the CLG guidance and this has shown a non material variance which we have reported in Appendix C.	Grey

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Civica Financials	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	🟢	🟢	Revenue Cycle includes fraudulent transactions Fraud in expenditure recognition	N/A
Revs and Bens	ITGC assessment (design, implementation and operating effectiveness)	🟢	🟢	🟢	🟢	Housing Benefit Expenditure	N/A
Chris21	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	🟢	🟢	Employee Expenditure	N/A
Adelante	ITGC assessment (design and implementation effectiveness only)	🟡	🟡	🟢	🟢	Revenue Cycle in fraudulent transactions	Non-significant deficiency identified and considered that transactional testing is sufficient to address the risk

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	**Segregation of duties within Adelante** Our IT General Consideration identified that there are users within Adelante that have access rights that allow them to modify and remove users from the system. Management do not have, and are unable to run, a report that shows the users who have such access. The low risk nature of the system as a cash receipting system means that no payments can be made and that supplier details cannot be amended. **Risks** The combination of access to modify and remove users in the system environment creates a risk that inappropriate or unauthorised changes are made to data and/ or programs.	Management should segregate a user's ability to modify and remove users. Privileged access to the system should be revoked from users that are involved in the process. Where management is unable to fully segregate access for operational reasons, a risk assessment should be undertaken, documented and formally accepted. Alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. **Management response** It is recognised this is a low risk impact area. Consideration to this will be undertaken as part of the consolidation project of the income management solution during 2024. With a view to providing reporting and segregation. Action owner: Ben Bryant
●	**Related Parties** Review of related parties identified two control issues: • Declarations of interest were not received from all officers • Declarations received were not signed by a senior authority as correct and ensure that returns have been completed in full	Management should ensure all returns are completed and reviewed as appropriate **Management response** Somerset Council has this as part of standard accounts close down practice, to include ensuring all replies are received and signed. Action owner: Chief Accountant
●	**Fixed Asset Register revaluation** A reconciliation between the valuer's report and the fixed assets register (FAR) identified that two assets had not been correctly updated. This means that the FAR, and subsequently the accounts do not agree to the valuers report.	More robust checks of agreement between the valuers report and the information used by management to inform the financial statements should be undertaken to ensure figures are accurately disclosed and appropriately updated **Management response** Somerset Council has this as part of standard accounts close down practice when receiving valuation reports. This includes a detailed reconciliation comparing processed valuation impacts on the FAR vs the valuation report, identifying any discrepancy. Action owner: Chief Accountant
●	**Council Dwellings Reconciliation** A reconciliation of Council dwelling numbers identified two properties not included in the overall listing. There is a risk that incorrect property numbers will be used for valuation purposes and that Council dwelling valuations will be materially misstated	Checks should be enhanced to ensure that complete listings are provided as part of the audit process **Management response** Attention will be given to this as part of the valuation instruction for the 2023/24 accounts. Action owner: Chief Accountant / HRA accountant

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
● (amber)	**Bank Reconciliation** During the Council's March bank reconciliation, £36k of unreconciled items was discovered that management could not identify and had made the decision not to action until after the merger of the authorities had been conducted.	Investigation of all unreconciled items should be undertaken to ensure that cash balances are accurately disclosed. **Management response** Full and explanatory bank reconciliations will be done during 2023/24 and onwards as BAU, identifying any discrepancies and actions to resolve. Action owner: Chief Accountant
● (amber)	**Policy review** IS01 policies provided as the policies used by the council relating to cybersecurity are out of date as they have not been reviewed within 24 months of the last review and they were both out of date for the 2022/23 financial period.	Policies should be reviewed within the designated timeframe to ensure they stay relevant and reflect the current statutory and non-statutory guidance **Management response** Somerset Council had all new policies as of 1st April 2024, moving forward these will have been reviewed in the last 12 months.

Assessment

- ● (red) Significant deficiency – risk of significant misstatement
- ● (amber) Deficiency – risk of inconsequential misstatement

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit

Significant matter	Commentary	Auditor view and management response
The Council demised on 31 March 2023 as part of the Somerset Local Government Reorganisation. As a result of the reorganisation there were a number of staff members that left the employ of the Council, post year end, and sufficient disclosure is required in the financial statements. Our review considered that this has not been appropriately disclosed.	The Code requires that where exit packages are agreed they should be recognised in the financial year where the exit has been agreed irrespective of which financial year the staff member has subsequently left. A review of minutes, and subsequently confirmed by management, identified two members of staff for whom exit packages were approved prior to 31 March 2023. These have not been reflected in the financial statements and the audit view is that disclosure should have been included to comply with the code.	Exit packages agreed in the financial year should be included within the financial statements in order to comply with the requirements of the Code. **Management response** Agreed. The note has been amended to reflect this finding in the 2022/23 audit. This policy will be carried forward onward to the 2023/24 accounts production. Action owner: Chief Accountant

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. Our testing identified two control issues in relation to related parties: • Declarations of interest were not received from all officers • Declarations received were not signed by a senior authority as correct and to ensure that returns have been completed in full.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to their bank and other financial institutions with whom they invest/borrow. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. 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 been provided and no further issues have been identified.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, although we did note: • that there was no accounting policy for cash and cash equivalents. It should be noted that has been no change in practice and the only issue was the inclusion of a cash and cash equivalent accounting policy. We reviewed the disclosure and were satisfied that the changes made were appropriate. • Policies in relation to Cybersecurity had not been updated within the designated timeframe • The March bank reconciliation included £36k of unidentified items that had not been resolved • Audit fees for the financial statements audit did not agree to those presented to members in the audit plan
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

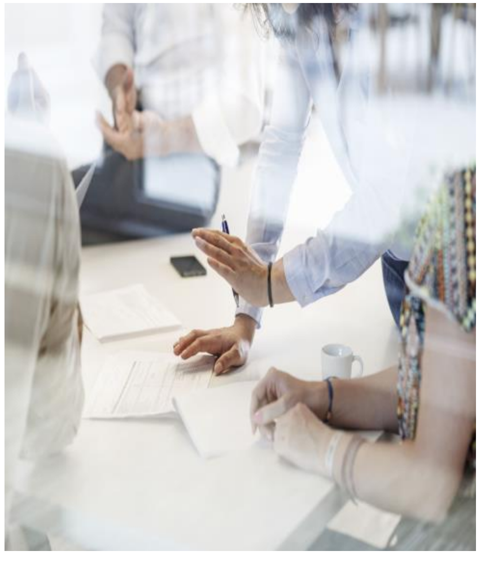
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	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 2020). 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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. 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 Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. Our work is ongoing and will obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We have completed our assessment of the Council's arrangements for achieving value for money and as per page 27 this has identified three key recommendations in relation to significant weaknesses identified within our review. We have requested management update the Annual Governance Statement to reflect these findings and will review these updates once they have been processed
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; and/or • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have identified three key recommendations, per page 27, in relation to significant weaknesses within financial sustainability and governance arrangements
Specified procedures for Whole of Government Accounts	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. Note that detailed audit work is not required as the Council does not exceed the threshold set by the NAO. The WGA group audit instructions for 2022/23 have recently been issued and the Council will not meet the threshold for enhanced audit procedures. We will complete this work to allow us to issue the audit certificate.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Sedgemoor District Council in the audit report.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report which covers all of the legacy Councils audited by Grant Thornton. which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified are detailed in the table below. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code.

Criteria		Summary of actions for Somerset Council to address
Financial sustainability	R	Significant weaknesses in arrangements identified and two key recommendations made relating to: • implementing the transformation programme at scale and pace; • ensuring that proper governance arrangements are in place to oversee the disposal of the commercial investment property portfolio;
Governance	R	Significant weaknesses in arrangements identified and a key recommendation made relating to: • continuing to develop the functionality of the Microsoft Dynamics finance system and resolve outstanding processes at pace to ensure that the system supports efficient and accurate financial reporting. In addition, two improvement recommendations have been made relating to: • implementing robust risk management reporting arrangements at Somerset Council; • implementing robust arrangements for preventing and detecting fraud and corruption at Somerset Council;
Improving economy, efficiency and effectiveness	R	An improvement recommendation has been made relating to: • implementing robust arrangements for benchmarking service cost and performance at Somerset Council*

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

4. Independence and ethics

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. We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

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

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

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.

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

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to 28 March 2024, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of the Pooling of Housing capital receipts grant	7,250	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 £7,500 in comparison to the total fee for the audit of £69,709 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	17,250	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 £17,250 in comparison to the total fee for the audit of £69,709 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Communication of audit matters to 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 findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
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, we are also required to distribute our findings to 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 all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 12 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management. 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
High	Testing of the Assets Under Construction (AUC) population identified the following issues: • One asset Northgate Yard, that was incorrectly included within AUC when the Council had taken control in October 2022. This has required a revaluation and adjustment to the balance sheet • Two Council dwellings purchased by the Council but not yet inhabitable. These assets require work and therefore it is audit opinion that these should be included within the AUC population There is a risk that asset values will be materially misstated	The Council should ensure that all assets are appropriately classified in the balance sheet in line with the requirements of the Code **Management response** Northgate Yard has been reclassified from AUC to Operational and a valuation undertaken and applied in the latest and final accounts to reflect the appropriate existing use value. The two council dwellings are not material at a combined value of £0.200m to be misstated. Therefore, changes not reflected in 2022/23 accounts. Will be part of the AUC review during 2023/24 production.
Medium	Valuation of car parks in both other land and buildings (OLB) and Investment Properties (IP) was based on historic data. Audit has undertaken a recalculation using the 2022-23 data and identified variances in the valuation. These variances were not material.	Valuers should be provided with the most relevant data for completing their calculations to ensure that these are accurately stated in the financial statements **Management response** Accept both the finding and the agreement of not material and therefore not amended in the 2022/23 accounts.
Medium	A reconciliation between the valuer's report and the fixed assets register (FAR) identified that two assets had not been correctly updated. This means that the FAR, and subsequently the accounts do not agree to the valuers report.	More robust checks of agreement between the valuers report and the information used by management to inform the financial statements should be undertaken to ensure figures are accurately disclosed and appropriately updated **Management response** A data entry error; accept both the finding and the agreement of not material and therefore not amended in the 2022/23 accounts. Somerset Council has this as part of standard accounts close down practice when receiving valuation reports. This includes a detailed reconciliation comparing processed valuation impacts on the FAR vs the valuation report, identifying any discrepancy. Action owner: Chief Accountant
Medium	A reconciliation of Council dwelling numbers identified two properties not included in the overall listing. There is a risk that incorrect property numbers will be used for valuation purposes and that Council dwelling valuations will be materially misstated	Checks should be enhanced to ensure that complete listings are provided as part of the audit process **Management response** Agree, numbers are updated in disclosure of the 2022/23 final accounts.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	Testing identified two staff members for whom exit packages were agreed in 2022-23 which were not disclosed in the statement of accounts. The Code requires that exit packages are disclosed when approved and not when the staff member leaves.	Management should ensure that all disclosures within the financial statement comply with the requirements of the code. **Management response** Finding agreed and agreed not to amend 2022/23 accounts. This policy will be carried forward onward into the 2023/24 accounts production. Action owner: Chief Accountant
Medium	During the Council's March bank reconciliation, £36k of unreconciled items was discovered that management could not identify and had made the decision not to action until after the merger of the authorities had been conducted.	Investigation of all unreconciled items should be undertaken to ensure that cash balances are accurately disclosed. **Management response** Full and explanatory bank reconciliations will be done during 2023/24 and onwards as BAU, identifying any discrepancies and actions to resolve. Action owner: Chief Accountant
Low	IS01 policies provided as the policies used by the council relating to cybersecurity are out of date as they have not been reviewed within 24 months of the last review and they were both out of date for the 2022/23 financial period.	Policies should be reviewed within the designated timeframe to ensure they stay relevant and reflect the current statutory and non-statutory guidance **Management response** Somerset Council had all new policies as of 1st April 2024, moving forward these will have been reviewed in the last 12 months.
Low	Review of related parties identified two control issues: • Declarations of interest were not received from all officers • Declarations received were not signed by a senior authority as correct and ensure that returns have been completed in full	Management should ensure all returns are completed and reviewed as appropriate **Management response** Somerset Council has this as part of standard accounts close down practice, to include ensuring all replies are received and signed. Action owner: Chief Accountant
Low	Within our work on assets under construction we identified that some assets were not moving into the appropriate class on a timely basis when construction has been completed. Further this had resulted in one asset not being valued in year by the valuer. The asset was valued on the basis of capitalising tarmac costs and not and income basis in line with other car parks.	The Council should ensure that assets are appropriately reclassified on a timely basis to reflect that they have been brought into operation **Management response** The Council will recognise the assets into their relevant class at the appropriate timing of the change in use. Action owner: Chief Accountant

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	Defined Benefit Pension Scheme- Remeasurement (gains) and losses arising on changes in demographic assumptions. We have noted that the client input the figure of £15,861k as Changes in demographic assumptions, though as per updated version of Actuary report it should be of Nil amount. We have discussed the matter with client's and confirmed that the amount should be zero.	Management should ensure that all disclosures within the financial statement comply with the requirements of the code. **Management response** Finding agreed and agreed not to amend 2022/23 accounts. This policy will be carried forward onward into the 2023/24 accounts production. Action owner: Chief Accountant
Low	Testing of audit fees identified a variance between the financial statement audit fees disclosed in the statement of accounts and the fees as per the audit plan presented to the Council	Investigation of all unreconciled items should be undertaken to ensure that cash balances are accurately disclosed. **Management response** Full and explanatory bank reconciliations will be done during 2023/24 and onwards as BAU, identifying any discrepancies and actions to resolve. Action owner: Chief Accountant
Low	Testing of two assets identified that their value had been increased on the basis of work being undertaken. Further investigation identified that work had not started until 2023-24 and that the increase was due to the valuer being erroneously provided with an invoice for deposits paid for the work.	Policies should be reviewed within the designated timeframe to ensure they stay relevant and reflect the current statutory and non-statutory guidance **Management response** Policies will be reviewed and applied appropriately for Somerset Council.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Sedgemoor District Council's 2021/22 financial statements, which resulted in 9 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 4 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Review of the Fixed Asset Register identified that management had not updated the value of one asset in line with the valuer's report. This led to a material adjustment of the primary statements and there is a risk that asset values in the balance sheet are materially misstated	We have again identified variances been the valuer's report, the Fixed Asset Register and subsequently the statement of accounts. Therefore, we have raised a recommendation in 2022-23.
✓	Review of the disclosures for senior management remuneration identified that FTE salaries had been disclosed rather than actual gross salaries as required by the Code. Information was also presented on a person by person basis rather than by role. There is a risk that readers of the accounts will not be able to clearly assess senior officer remuneration in 2021-22.	Management have correctly disclosed FTE salaries on a gross basis as per the requirements of the Code.
✓	Management have incorrectly calculated the value of Council Dwellings as a result of not using the appropriate Beacon value. This has resulted in a material adjustment to the balance sheet	Beacon values have been appropriately applied in 2022-23 and we consider the value of Council Dwellings to be appropriately stated.
✓	Review by management identified that investment income had been incorrectly allocated to net cost of services and not in the surplus or deficit on the provision of services as required by the Code. There is a risk that income will incorrectly allocated within the primary statements and that these will be materially misstated	Investment income has been correctly disclosed in the financial statements and therefore there is no material misstatement.
✓	The Code requires that where a bank account is in an overdraft position this should be disclosed as a liability on the face of the balance sheet. The Council have a bank overdraft in 2021-22 which is not material but is not disclosed. The cash and cash equivalent note provides clarity on the position and so it is considered that there is no attempt to mislead the reader of the accounts	No overdraft position in 2022-23. Bank accounts have been accurately disclosed within cash and cash equivalents within the financial statements.
✓	Testing identified four errors as a result of lease payment receivable calculations being incorrectly calculated. This is due to incorrect allocation of payments over years and also where changes in payments were noted in the leases, these were not being applied correctly - these errors resulted in the understatement of future payments. One error was noted where the overstated stated asset had resulted in future lease payments being allocated. As the asset was overstated these payments were also overstated and these have netted off against the underpayment.	Lease payments have been correctly calculated and there are no relevant errors identified in the financial statements.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Review of related parties identified two control issues: • Declarations of interest were not received from all officers • Declarations received were not signed by a senior authority as correct and ensure that returns have been completed in full	These issues have been identified again in 2022-23 and therefore a recommendation has been raised again.
X	A review of asset lives identified a number of assets that were fully depreciated and still operational. There is a risk that depreciation charges in year are not accurate and that useful economic lives are not appropriate	We have identified a number of assets that are fully depreciated and remain on the balance sheet the total value of these is £693k which is not material. It is audit opinion that a formal review of these assets should be undertaken and have raised a recommendation
X	Within our work on assets under construction we identified that some assets were not moving into the appropriate class on a timely basis when construction has been completed. Further this had resulted in one asset not being valued in year by the valuer. The asset was valued on the basis of capitalising tarmac costs and not and income basis in line with other car parks.	We have identified the same issue in 2022-23 which has resulted in a material adjustment to the balance sheet. A further recommendation has been raised.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
The Fixed Asset Register and subsequently the financial statements have not been updated to reflect the updated valuation, per the valuer's report, as part of the year end process.	Surplus/deficit on revaluation of non current assets £651	Dr Investment Property £(651) Cr Unusable reserves £651	651	(651)
Review of Assets under construction identified that Northgate Yard had been incorrectly included having been handed back to management in October 2022 and was therefore revalued. (TBC)*	Surplus deficit on revaluation of non current assets £(13,758)	Cr PPE (Assets under Construction) £13,758 Dr Unusable reserves £(13,758)	(13,758)	13,758
Overall impact	£(13,107)	£0	£(13,107)	£13,107

*This is an indicative adjustment at the date of this report based on information provided as part of the revaluation. We are yet to complete our work on this asset and there may be an adjustment to the figure which we will report to members.

D. 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.

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/issue/Omission	Auditor recommendations	Adjusted?
The Council have not included a cash and cash equivalents accounting policy	Management should ensure all relevant disclosure requirements per the Code are included.	✓
Remeasurement (gains) and losses arising on changes in demographic assumptions. We have noted that the client input the figure of £15,861k as Changes in demographic assumptions, though as per updated version of Actuary report it should be of Nil amount.	Management should ensure all changes in third party information is reflected in financial statement disclosures.	✓
Adjustments are required to ensure the table disclosing other employees receiving more that £50,000 remuneration for the year agrees to payroll records	Management should ensure that disclosures agree to supporting documentation.	✓
Brought forward balances in the Movement in reserve statements did not agree to the audited closing figures in the 2021-22 statements`	Management should ensure all closing balances are accurately rolled forward.	✓
A small number of amendments were made to the accounts to enhance clarity for the reader.	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader. We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 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. As at the date of this report we have identified misstatements that are to be agreed with management. The table will be update upon agreement of these errors

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Two investment properties have not been updated in the financial statements to reflect the change in value per the valuer's report	Cr Financing and Investment Income and Expenditure £389	Dr Investment Assets £(389) Cr Unusable Reserves £389	£389	£(389)	Not material
Repurchased Council dwellings not correctly included within Asset Under Construction		Cr Additions £208 Dr PPE (Assets under Construction) £(208)			Not material
Two exit packages agreed prior to year end not included within the financial statements	Dr Net cost of services £(183)	Cr Creditors £183	£(183)	£183	Not Material
Incorrectly classified Collection fund debtors in relation to advance receipts that have been reclassified as creditors		Dr Short Term debtors £(116) Cr Short Term Creditors £116			Not Material
Management have incorrectly classified REFCUS expenditure relating to 2023-24 in the 2022-23 financial statements	Cr Surplus/Deficit on provision of services £210	Dr – short term debtors (prepayments) £(210)	£210	£(210)	Not material

Impact of prior year unadjusted misstatements

There are no unadjusted misstatement in 2021-22

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Net position of over and understatements identified in the testing of OLB assets back to valuer assumptions	Dr Surplus/deficit on revaluation of non-current asset £(89)	Cr – PPE OLB (car parks) £89	£(89)	£89	Not Material
During our testing of completeness of income, debtors, expenditure and creditors we found several errors. Further details can be found on page 14.	Cr expenditure £34 (bank payments) Dr expenditure £(164) (invoices received) Cr income £2 (invoices raised)	Dr accruals £(34) (bank payments) Cr accruals £164 (invoices received) Dr Debtors £(2) (invoices raised)	£34 £(164) £2	£(34) £164 £(2)	Not Material
Overall impact	£199	£(199)	£199	£(199)	

Impact of prior year unadjusted misstatements

There are no unadjusted misstatement in 2021-22

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services. All additional variations following the issuing of our audit plan are subject to approval by management and PSAA

Audit fees	**Fee per Audit Plan**	**Proposed Final Fee**
Scale fee	£49,859	£49,859
Additional Collection fund testing	£750	£750
Payroll change of circumstances testing	£500	£500
Additional audit requirements relating to journals and grants testing	£3,000	£3,000
Additional work on Value for Money (VfM) under new NAO Code	£9,000	£9,000
Increased audit requirements of revised ISAs 540	£2,100	£2,100
Increased audit requirements ISA315 revised	£3,000	£3,000
Group audit	£1,500	£1,500
Northgate Yard – Further review		Tbc
Exit Packages – Additional testing		Tbc
Delays and quality of evidence		£5,000
Additional Completeness work following Somerset Local Government Reorganisation*		Tbc
Level of Errors (including revisions to EFA and MIRS)		£2,500
Total audit fees (excluding VAT)	**£69,709**	**£77,209**

We have provided a reconciliation of the fees to the financial statements.

- Audit fees per financial statements - £49,859
- Additional fees per audit plan - £19,850
- total fees per audit plan above – £69,709

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Pooling of Housing Capital receipts	6,000	7,500
Certification of Housing Benefit Claim	17,250	17,250
Total non-audit fees (excluding VAT)	**£23,250**	**£24,750**

We have provided a reconciliation of the fees to the financial statements.

- Non audit fees per financial statements - £23,250
- Additional fee for Pooling of Housing Capital receipts - £1,500
- total fees per above – £24,750

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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