Grant Thornton

The Audit Findings Report (ISA 260) for Bournemouth, Christchurch and Poole Council

Year ended 31 March 2024

19 February 2025

Grant Thornton

Private and Confidential

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19 February 2025

Dear members of the Audit and Governance Committee

Audit Findings for Bournemouth, Christchurch and Poole for the 31 March 2024

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

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

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

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Peter Barber

Director
For Grant Thornton UK LLP

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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 Bournemouth, Christchurch and Poole Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

We commenced our post-statements audit in late June 2024 and as at 19 February 2025 work is substantially complete. We remain on track to complete our work and issue our opinion by 28 February 2025 (the backstop date). Our findings are summarised on pages 5 to 35.

There has been 3 material adjustments to the council primary statements, 1 further material adjustment to the group primary statements (see Appendix D page 46), and numerous non-material errors and adjustments to the draft financial statements the majority of which relate to property valuations and classification of income and expenditure which are set out in detail on pages 11-14 of the report. We did not identify any adjustment which changed the Council's outturn position and useable reserves.

Audit adjustments are detailed in Appendix D. All material areas identified have been corrected in the revised financial statements. We have raised recommendations for management as a result of our audit work as detailed in Appendix B. Our follow up of recommendations from the 2021/22 audit are detailed in Appendix C.

The significant time taken to complete this year's opinion audit reflects many of the challenges faced in the last full year of audit (2021/22). The complexity of BCP's financial statements combined with a number of legacy systems in place, implementation of new IT systems and pressures on staff availability has implications for delivery of a timely audit. This additional work also reflects the continuous raising of the bar and us as auditors providing greater challenge to the Council especially in the areas subject to greatest estimation and uncertainty.

The finance team has worked positively with the audit team to support the process. The introduction of a new finance system on 1 April 2023 has also assisted the audit this year and will provide further benefits going forward. We will continue to work with the finance team to learn from 2023/24 and apply this to the forthcoming 2024/25 audit.

Due to the challenges of undertaking the prior year audit (2022/23) a disclaimer opinion was issued in accordance with the application of the local authority backstop. This will impact on our audit opinion for 2023/24 as we do not have assurance over opening balances. This limitation necessitates a disclaimer of opinion on the financial statements. Our anticipated financial statements disclaimer audit report opinion is provided in a separate document to the 27th February 2025 meeting of the Audit & Governance Committee.

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 our 2023/24 Value for Money work at the Council and issued our Interim Auditor's Annual Report on 17 July 2024. Our Auditor's Annual Report was presented to the Audit & Governance Committee on 25 July 2024. In our Auditor's Annual Report, we raised three new key recommendations as summarised below: <u>Financial Sustainability:</u> • the plan to manage the Dedicated Schools Grant (DSG) deficit • the Councils Cash position and future cash flows <u>Improving Economy, Efficiency and Effectiveness</u> • the response to the statutory direction in respect of Special Education Needs and Disabilities We also retained a further two key recommendations from the prior year as summarised below: <u>Financial Sustainability:</u> • the sustainability of reserves and balances <u>Improving Economy, Efficiency and Effectiveness</u> • the response to the November 2020 findings of the Ofsted in section of childrens services Full details can be seen in the 2023/24 Auditor's Annual Report. We will follow up progress on the Council's implementation of these recommendations as part of our 2024/25 VFM work. We continue to kept the Council's VFM arrangements under review. We have not noted any additional matters that we wish to bring to the attention of the Audit & Governance Committee but note the ongoing dialogue with Government in respect of a number of the concerns highlighted in our report. Further information on our VFM work is included at Section 3 of this report commencing on page 35.
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 intend to delay the certification of the closure of the 2023/24 audit of the Council in the audit report until the NAO has completed it's work on the Council's Whole of Government Accounts (WGA) and completed our consideration of an objection brought to our attention by a local authority elector under section 27 of the Local Audit and Accountability Act 2014. We are satisfied that these matters do not have a material effect on the financial statements for the year ended 31 March 2024.
Significant matters	Despite the overall improvements again this year, we continue to identify a large number of amendments in a number of areas, the most significant of which is property plant and equipment. This has once again impacted on the efficiency and timeliness to deliver our audit. Further quality assurance is recommended ahead of the production of the draft 2024/25 financial statements. The additional time spent by the team in gaining assurance over all elements of the financial statements along with significant additional work in respect of our VFM responsibilities in 2023/24 will be reflected in the final audit fee, to be confirmed once all work is complete.

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.

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.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 30 May 2024.

Conclusion

As highlighted in page 4 of this report, unfortunately it will not be possible for us to undertake sufficient work to conclude our work to support an unmodified audit opinion for 2023/24. We therefore plan to issue a disclaimer of opinion. The draft wording of our Audit Report is provided in a separate document to the 27 February 2025 meeting of the Audit & Governance Committee.

The circumstances resulting in the application of the local authority backstop to prior year audits are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming years, as we seek to rebuild audit assurance.

We anticipate issuing a disclaimer of opinion following the Audit & Governance Committee meeting on 27 February 2025 in accordance with the backstop deadline of the 28 February 2025.

In order to issue the auditor's report we will need:

- finalise our internal quality review processes
- final review of the amended financial statements
- the signed management letter of representation letter; and
- the final signed set of financial statements, to include the Annual Governance Statement

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.

These figures have changed since our audit plan. We have increased both headline and performance materiality due to the actual gross expenditure changing significantly from the prior year expenditure used to determine materiality at the planning stage.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	14,880,000	14,000,00	The size and complexity of the Council, previous year backstopped opinion therefore no opening balances assurance.
Performance materiality	8,930,000	8,400,000	Level of amendments and control weaknesses identified in prior audits, new financial IT system.
Trivial matters	740,000	700,000	Based on 5% materiality
Materiality for Senior Officers remuneration	23,800	23,800	Due to enhanced public interest

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	Relevant to Council and/or Group
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: • evaluated the design and effectiveness of management controls over journal • analysed the journals listing and determine the criteria for selecting the high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider the reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions We identified high risk and unusual journals for test. Our risk assessment of journals including considering where staff roles have elevated administrator roles in the system, large journals, journals posted at year end, and unusual accounts postings. In our review of journal users we identified one journal user who is not an employer of the council but an employee of the Council's maintenance company BBML. We confirmed no journals were posted by the user. Although we were able to confirm this did not lead to any inappropriate activity the Council should ensure it's users are regularly reviewed for appropriateness. We have made a recommendation around user access right as part of our IT findings shown in appendix F. We also considered the impact of the implementation of the new system and increased the number of journals we selected for testing due to this. We did not identify any indications of management override of controls from our review of journals being posted. **Conclusion** Overall, we did identify any instances of management over-ride of control. For all the journals reviewed we concluded that they were appropriate transactions.	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
The revenue cycle includes fraudulent transactions (ISA240) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	Having considered that risk factors set out in IAS240 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 the Council mean that all forms of fraud are seen as unacceptable We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for the Council. Our audit work has not identified any issues in respect of improper revenue recognition.	Council
The expenditure cycle includes fraudulent transactions **(rebutted)** This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition	We have determined that the risk of material fraud arising from expenditure recognition can be rebutted because, per Practice note 10, misstatements may arise where the audited body is under pressure to meet externally set targets. This environment does not exist at the Council. At the planning stage we did not consider this to be a significant risk for the Council. We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for BCP Council. Our audit work has not identified any issues in respect of improper expenditure recognition.	Council
Valuation of land and buildings including council dwellings The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	We: • 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 Council's valuation expert; • wrote to the valuer to confirm the basis on which the valuation was 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 had been input correctly into the Authority's asset register; • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and • engaged an auditor's expert to support our response to the valuation of land and buildings.	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of land and buildings including council dwellings The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	Findings: Land and Buildings Our work is this area identified a number of issues: • A school which converted to an Academy in 2022/23 was not removed from the Council's balance sheet in 2023/24, overstating land and buildings by £14.4m. We undertook further focused review to ensure there were no further schools which were incorrectly held on the balance sheet after conversion. • We identified that the valuer applied one land value per hectare for developed land and one land value per hectare for non-developed land for all assets valued. We challenged this approach given the varied portfolio and location / use of assets held by the Council. We set out the detail of our challenge and findings in regard to this on page 29. • On our review of land values, we concluded that the Bournemouth International Centre (BIC) was valued using a significant lower land value than appropriate for its prime location. The land element of the asset was therefore revalued by the Council's internal valuer and the value of the asset increased by £3.6m. • Assets held within 'assets under construction' were found to be operational in 2023/24 and therefore should be classified as 'land and buildings'. A full review of 'assets under construction' population was undertaken by management and the overall impact was found to be an understatement of 'land and buildings' and overstatement of 'assets under construction' of £4.4m • A number of other errors were identified in the testing which covered various error types such as errors in the valuer detailed calculations or outdated information provided to the valuer. The overall net impact of these errors led to an overstatement of £1.9m of 'land and buildings'. The Council updated its final set of financial statements to correct all of the above errors. Our testing of land and building focussed on those assets of greatest risk of material misstatement based on value and movements between years. The number of findings above reinforces the recommendations made last year in respect of greater quality assurance and oversight by both estates and management with a more thorough review of assets with significant movements between years and challenge of the valuers on the assumptions used to determine whether the movements are reasonable and in line with their expectation.	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of land and buildings including council dwellings The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	Council Dwellings We gained an understanding of the beacon methodology used by the Council to value its Council Dwellings. We concluded that the approach taken by the Council was reasonable. A £1.4m difference was identified between the financial statements and the valuation due to the wrong asset listing being used. This has been corrected by management. Through our review and challenge of valuations performed for Bournemouth and Poole HRA Council Dwellings, we are satisfied that the beacon approach has provided a materially accurate and reasonable valuation estimate as at 31 March 2024. Conclusion Due to the prior year disclaimer we have not been able to gain assurance over the total land and buildings including council dwellings balance at 31 March 2024. We will regain assurance on these once all assets have been revalued as part of the rolling valuation programme.	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of investment properties The Authority is required to revalue its investment properties at fair value on an annual basis at 31 March. 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	We: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • discussed with the valuer 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 had been input correctly into the Authority's asset register; and • engaged an auditors' expert to support our response to the valuation of investment properties. Findings: We identified an error in the valuation of the Dolphin Centre where the incorrect rental value had been provided to the valuer to use in the calculations. This led to an overstatement in the value of £2.7m. We are satisfied that this is an isolated error. The Council has amended this error in its final statement of accounts. Conclusion We recommend that management review the information provided to the valuer for the material investment properties to ensure this is the most up to date as small changes in underlying data can lead to significant differences in the overall valuation. Due to the prior year disclaimer we have not been able to gain assurance over the investment properties at 31 March 2024	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Pension Fund 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 and the sensitivity if the estimate to changes in key assumptions.	We: • Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and 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 • obtained assurances from the auditor of the Dorset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension funds financial statements. Findings: Our work on the pension liability is complete. We received our letter of assurance from the Dorset Pension Fund auditors on 7 February 2025. No significant issues were raised within this, however, the auditors did identify an understatement of the Dorset Fund assets as at 31 March 2024 of £2.6m. The council's share of this is £0.844m and therefore the council's net liability is overstated by this amount. In our review of the data submitted to the actuary, we challenged whether Tricuro costs should or shouldn't not included in the IAS 19 assessment. The Council's view is this should be included and requested an updated IAS 19 report from the actuary which included the Tricuro element. This confirmed that this was not material to the overall balance with no impact on overall assets and a £1.017m increase in the liability. The 2 errors noted above net off, resulting in an overall impact on the net Council pension liability of £0.173m. This is below our triviality level and therefore below our threshold for unadjusted errors. A small number of adjustments were made to the pension disclosures including updating the 'transactions relating to post-employment benefits note' which had incorrectly excluded interest cost figures and incorrectly calculated the total post-employment benefit charged to the comprehensive income and expenditure statement Conclusion Due to the prior year disclaimer we have not been able to gain assurance over the pension liability at 31 March 2024	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Data migration with new system implementation The Council implemented a new finance system from the 1 April 2024	We: • evaluated the need of the project, project plan (which includes initiation, development, testing & implementation) and authorised sign offs from management. • evaluated whether appropriate testing of new system has been performed before go-live and all the critical issues were addressed. • validated the data migration from old system to new system was successful & checks were performed to reconcile the data. • verified the completeness & accuracy of data transferred. • checked that trail balances & other financial transactions are transferred completely & accurately. • checked COA mapping was done correctly & it was approved by authorized finance personnel. • Verified that authorized & appropriate sign offs were obtained to conclude UAT and prior to go-live. • checked adequate support was provided post go-live to monitor & resolve any issues. Findings: We performed specific procedures in relation to the new system implementation and data migration and did not find any deficiencies in the implementation and migration stages. We are aware of some teething issues in the early stages of the new system and we undertook further procedures as part of our IT review on the day to day running of the system and have set out our findings in respect to this on page 24. In addition, in terms of the on going IT controls in respect to Dynamics 365 we identified 2 significant deficiencies in relation to this system which we have set out in appendix F.	Council and Group

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

Component	Findings	Group audit impact
BCP Council	Findings from the Council audit are detailed in this report.	The Councils balances were appropriately consolidated into the Group accounts.
The Russell Coates Art Gallery Museum and Charitable Trust	We undertook specified procedures on Heritage Assets within the component as this is a material balance to the group. Previously, the Museum itself was valued using an insurance valuation. We deemed this to be in line with requirements of the CIPFA code. In 2023/24 the Charitable Trust updated its final accounts to reflect the valuation of the Museum using a Depreciated Replacement Cost (DRC) valuation method.	Total heritage assets within the group decreased by £25.3 million due to the change in valuation technique used for the Russell Coates Museum. We have documented our consideration of this further on page 29. The material group balances for the Russell Coates Art Gallery Museum and Charitable Trust were appropriately consolidated into the group accounts.
Five Parks Charity	We undertook specified procedures on the Assets within the component as this is material balance to the group. We therefore included Five Parks Charity assets in our property, plant and equipment population which was subject to testing. We did not identify any issues specific to Five Park Charity assets.	No issues were noted in respect of the material group balances for Five Parks Charity and these were appropriately consolidated into the group accounts.
The Lower Central Gardens Trust	We undertook specified procedures on the Assets within the component as this is material balance to the group. We therefore included Lower Central Gardens Trust assets in our property, plant and equipment population which was subject to testing. We did not identify any issues specific to Lower Central Gardens Trust assets.	No issues were noted in respect of the material group balances for the Lower Central Gardens Trust and these were appropriately consolidated into the group accounts.

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 – £803.542m	Other land and buildings comprises of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder 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. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2024 on a five yearly cyclical basis. 20% of total assets, representing around 70% of the total value of the council's assets were revalued during 2023/24. The total year end valuation of land and buildings presented in the final audited accounts is £804m, a net increase of £28m from 2022/23 (£765m).	We have assessed Wilks Head and Eve to be competent, capable and objective, however minor inconsistencies in the preparation of the valuation spreadsheets were identified through review of valuation calculations, these were not deemed significant. There were also occasions where incorrect inputs had been used in valuations. These were challenged and corrected by Wilks Head and Eve. On review of the assumptions used by Wilks Head and Eve we identified a single land value was used for all developed land and a single land value used for all non-developed land. We deemed this to be unusual given the range of locations, uses and planning permissions of different land within the Council locality. We challenged management on this and had detailed discussions with Wiks Head and Eve valuer to understand their approach as well as gaining advice from our auditors valuation expert. More detail regarding the challenge is set out on page 30. Overall we were able to conclude that the land values were appropriate for all assets except the Bournemouth International Centre which due to its prime location was deemed to have a higher land value than other assets. The council instructed its inhouse valuer to undertake a valuation of the land and an increase in overall valuation of £3.6m was posted in to the final statement of accounts. We have carried out completeness and accuracy testing of the underlying information provided to the valuer and we have identified some inconsistencies resulting in revision of valuations. We will regain assurance on these once all assets have been revalued as part of the rolling valuation programme. We have made recommendations to management to improve the process in future years. No overall conclusion formed this year, as our opinion has been disclaimed.	No overall conclusion formed this year, as our opinion has been disclaimed.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £73.780m	The Council revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. The Council engaged its external valuation expert to value its investment properties. Norse were engaged and valued these properties alongside their Land & Buildings valuations. The largest assets within the Councils investment property portfolio are Madeira Road student accommodation, Mallard Road retail units and the Dolphin Centre (Shopping Centre). The year end valuation of investment properties was £73.870m at 31 March 2024 an increase of £4m from 2022/23.	We have reviewed management's processes, in particular we have considered: • The completeness and accuracy of the underlying data used to determine the estimate. • The reasonableness of the overall decrease in the estimate. • The adequacy of the disclosure of the estimate in the financial statements. We identified an error in the valuation of the Dolphin Centre where the incorrect rental value had been given to the valuer to use in the calculations. This led to an overstatement in the value of £2.7m . The Council has amended this error in its final statement of accounts. We recommend that management review the information provided to the valuer for the material investment properties to ensure this is the most up to date as small changes in underlying data can lead to significant differences in the overall valuation. No overall conclusion formed this year, as our opinion has been disclaimed.	No overall conclusion formed this year, as our opinion has been disclaimed

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £775.309m	The Council owns over 9,000 dwellings and is required to revalue these properties in accordance with DCLG's Stock Resource Accounting Guidance. The guidance requires the use of a beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council engaged its valuer, Wilks Head and Eve, For the Poole and Bournemouth properties, a full valuation of the beacon properties was undertaken. This was performed by the VOA (external valuer). Of the £775m total HRA Asset value, £754m relates to Council Dwellings, with £5.2m relating to other Land & Buildings (also considered in valuation process) and the remaining £14m relates to assets valued at historical cost (assets under construction (£13m), Surplus Assets (£1.5m) and Plant & Equipment (£1m).	• The Council's RICS qualified valuer has valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties. • Our work indicated that this methodology was applied correctly to the 2023-24 valuation. • We have assessed the Council's valuer to be competent, capable and objective in carrying out the valuations • 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 • We identified a £1.4m difference when comparing the HRA valuation report to the financial statements due to the valuation being applied to the incorrect dwelling numbers. This has been adjusted in the final financial statements. • We have compared the valuation movements with the property valuation specialist's information we use and national reports and held discussions with our own valuation specialist as relevant. These discussions are still on going. We have also challenged management and the Council's valuation expert on valuation differences as identified through our sensitivity analysis work using other relevant indices when applicable. No overall conclusion formed this year, as our opinion has been disclaimed.	No overall conclusion formed this year, as our opinion has been disclaimed

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £148.790m	The Council's total net pension liability at 31 March 2024 is £148m (PY £254m) comprising the Dorset Pension Fund Local Government and unfunded 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 2023. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. In 2023/24 the actuary provided an additional calculation in respect of the impact of IFRIC 14 on the carrying value of the closing liability. This is a national emerging issue, and management requested its actuary to consider whether an IFRIC 14 adjustment was required for the prior year.	• 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: (see assumptions table below) • Management requested the actuary provide report to quantify if there is any impact on the Council in respect of IFRIC 14. We were able to conclude that in 2023/24 there is no impact of IFRIC 14 on the overall net liability. • We received assurances from the pension fund auditor on the 7 February. The audit opinion for 2022/23 is disclaimed, this means that as no audit work was carried out on the opening balances of the net defined benefit liability, we are unable to gain assurance that they are not materially misstated. No overall conclusion formed this year, as our opinion has been disclaimed.	No overall conclusion formed this year, as our opinion has been disclaimed

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.9%	4.8-4.95%	●
Pension increase rate	2.95%	2.85-3%	●
Salary growth	3.95%	3.65-3.95%	●
Life expectancy – Males currently aged 45/65	23.1/21.8	20.6-23.1 19.2-21.8	●
Life expectancy – Females currently aged 45/65	25.4/23.9	24.1-25.7 22.6-24.3	●

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £6.914m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required. This calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VAO) and previous success rates. The provision has decreased by £0.455m in 2023/24.	• No issues were identified with the appropriateness of the underlying information used to determine the estimate • There has been no change to the method used to determine the provision • The method is in line with industry practise adjusted to reflect the specific circumstances of the Council • The disclosure of the estimate in the financial statements is adequate No overall conclusion formed this year, as our opinion has been disclaimed.	No overall conclusion formed this year, as our opinion has been disclaimed

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £565m	Management has taken into account three main considerations in accounting for grants: 1. whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. 2. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income 3. whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be judgements over the accounting treatment. Different conclusions may be reached by the Council depending on how they have applied any discretion in administering the schemes and application of Code guidance	The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or 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. As part of our audit work, we have: • substantively tested a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent • for the samples selected, reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • assessed for the sample of grants received, whether the grant is specific or non-specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES or not • assessed the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing. We identified a number of errors in our testing of Grants as set out below. Note these have been adjusted in the final version of the statements - £9.6m recognised as grant income incorrectly as related to internal recharge for capital expenditure - £5.1m of housing benefits payments recognised as grant income incorrectly instead of to fees and charges - £23.8m of grant income included in grant income relating to schools ledgers double counted (in both income and expenditure – net impact nil) Given the errors identified we recommend the council should strengthen its review of grants to ensure the accuracy of the postings in the financial statements going forward. No overall conclusion formed this year, as our opinion has been disclaimed.	No overall conclusion formed this year, as our opinion has been disclaimed

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (MRP) – £10.8m	The Council reviewed its MRP policy in 2023/24 and changes it's approach to using an annuity basis rather than the reducing balance or asset life method inherited from predecessor Authorities. The Council set aside a MRP of £3.7m and an additional voluntary provision of £7.2m totalling £10.8m charged in 2023/24. The Council's updated MRP strategy was approved at the February 2024 Council meeting.	• The Council deem its updated methodology for calculating it's MRP to be prudent. • The Statutory guidance is clear that where a change is made to a Council's MRP policy this should not be applied retrospectively. • The Council did not comply with the guidance as it changed its policy mid year and applied it retrospectively from the 1 April 2024. • However, as the Council made a significant voluntary provision of £7.2m in 2023/24 we are able to conclude that the MRP charge in total is prudent and the impact of retrospectively application of the new policy does not have significant impact on the total provision charged. • Going forward the Council should ensure it reviews it MRP calculations on an annual basis to ensure there continues to be prudent charge made.	No overall conclusion formed this year, as our opinion has been disclaimed

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.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks / other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Dynamics 365	Design and Implementation testing	🔴	🔴	🟢	🟢	Inadequate control over privileged user accounts leading to SoD conflicts.
Civica	Design and Implementation testing	🔴	🔴	🟢	🟢	Segregation of duties conflict due to finance users having administrative access
Capita	Design and Implementation testing	🟢	🟢	🟢	🟢	N/A
Active Directory	Design and Implementation testing	🟡	🟡	⚫	⚫	N/A

We also performed specific procedures in relation to the significant changes/events/activity during the audit period, specifically the new system implementation / data migration. We observed the following results:

IT system	Event	Result	Related significant risks/ risk/observations
Dynamics 365	New system implementation	No deficiencies identified	N/A

The significant deficiencies noted above have been considered as part of our audit approach and testing strategy. Detailed findings supporting these judgements was provided in a separate IT findings report issued to management in July 2024. A summary of the significant deficiencies and recommendations along with management responses are summarised in appendix F

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

Our work identified a number of internal control weaknesses which are set out below. Where required, we have included a recommendation in relation to these in the action plan.

Assessment	Internal Control Weakness
High	From the implementation of the new finance system 1 April 2024, bank reconciliations were undertaken however there was no formal documentation of the reconciliations or the approval of the bank reconciliations by a manager. The reconciliations were undertaken and reconciling items discussed with Finance Manager however there was no formal documentation or the process at the start of the year and evidence of the approval was not reintroduced until March 2024. Since March 2024 the Council has rectified this issue and review and approval of bank reconciliations has continued to be documented and therefore we will not raise a recommendation in relation to this.
Medium	In our review of journal users we identified one journal user who is not an employer of the council but an employee of the Council's maintenance company BBML. We confirmed no journals were posted by the user. Although we were able to confirm this did not lead to any inappropriate activity the Council should ensure it's users are regularly reviewed for appropriateness. We have made a recommendation around user access right as part of our IT findings shown in appendix H.
Medium	Control weaknesses were identified in the Council's processes for year end property, plant and equipment including - Strengthening review of assets with zero netbook value - Ensuring discussions with the Council to confirm if any assets have changed use in year or are still in existence are complete including considering any school transfers to Academy Schools or aseets under construction which have become operational in year - Improving the review process management undertake on the valuations undertaken including considering suitability of inputs and assumptions used by valuer

2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	14/06/2024	25/06/2024	The reconciliation of the Closing trial balance for 2022-23 and Opening trial balance for 2023-24 took longer due to changes in the ledger codes following the system implementation. This impacted the testing of opening balance brought forward and completeness of the accounts.
Opening trial balance for 2023-24	14/06/2024	25/06/2024	The reconciliation of the Closing trial balance for 2022-23 and Opening trial balance for 2023-24 took longer due to changes in the ledger codes following the system implementation. This impacted the testing of opening balance brought forward and completeness of the accounts.
Closing trial balance for 2023-24	14/06/2024	25/06/2024	The reconciliation of the Closing trial balance for 2022-23 and Opening trial balance for 2023-24 took longer due to changes in the ledger codes following the system implementation. This impacted the testing of opening balance brought forward and completeness of the accounts.
All general ledger transactions during 2023-24	24/04/2024	21/06/2024	The request for the listing was initiated on 24 April, and after collaborative efforts with management, the Digital Audit Team (DAT) obtained initial datasets on 21 June. Despite DAT's expertise, obtaining the complete General Ledger took considerable time, with the process concluding on 11 July. An identified challenge with reports exported from the D365 system is the delimiter failing to split columns into the desired format. We recommend the Council to generate General Journal Entry reports in two parts for each month, ensuring completeness of information and addressing the challenges encountered.

2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Mapping between the trial balance and the financial statements for 2023-24	14/06/2024	24/06/2024	Mapping the general ledger and trial balance to the financial statements proved to be the most time-consuming and complex aspect of the journal testing process. The transition to a new financial system necessitated extra time to map the items due to the inability to roll forward prior years' mapping.
Draft accounts for 2023-24	14/06/2024	24/06/2024	Due to the audit of 21-22 concluding in June 2024, the council continued to make changes to the unaudited 22-23 accounts between the published unaudited 22-23 accounts and the comparatives in the draft 23-24 accounts.

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
Equal pay claims and the potential liabilities: • There has been recent publicity in the local government sector where certain councils have accumulated equal pay claims. In some cases, these claims have resulted in recognising significant liabilities on the balance sheet. This has created significant financial and cashflow challenges during an economic crisis when public services have already been impacted due to increasing service demands and cost pressures. • As part of our 2021/22 audit, we inquired on such existing equal pay claims at the Council, directing our inquiries to the S151 Officer and Monitoring Officer. We requested an updated response as at January 2025. • Our objective was to identify any unrecorded liabilities in relation to equal pay claims at the Council.	In the draft financial statements, management had included a contingent liability in respect of equal pay and the uncertainties surrounding the possibility of any future claims, their volume and the determination of any settlements. We challenged management on this, in particular: - What had changed since prior years for management to consider a contingent liability is now required - Is there any indicators that a provision is required We asked management for an updated response to our queries which we made in previous years and to justify the contingent liability with reference to the requirements of IAS 37.	We had detailed discussions with management in respect of this issue including the Chief Executive, Monitoring Officer and S151 Officer. The Council reassessed its conclusion after considering IAS 37 requirements and determined that the Equal Pay arrangements at the Council do not constitute the need for a contingent liability or provision in the 2023/24 financial statements. We concurred with this assessment and management removed the contingent liability in the final financial statements. We have included a specific management representation on this matter within the proposed letter of representation.
IFRS 16 implementation The Financial Reporting Advisory Board (FRAB) agreed for the deferral of IFRS 16 to 2024/25. Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024	The Council has reported on this Standard in Note 26 - New accounting standards not yet implemented and states that the Council has chosen not to implement the changes until 2024/25. It also notes that the changes will apply prospectively from April 2024 onward. This is not in full compliance with Code 3.3.4.3 which states that an authority shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (ie on or before 1 January 2024 for 2023/24). The Council updated the disclosure to include the expected impact on the capital financing requirement.	In our view, understanding the impact of the new Standard is complex due to various factors including for example exemptions and consideration of peppercorn rents. Given we are now in February 2025, the Council should continue to accelerate it's work on this to ensure they are ready for implementation and disclosure within its draft 2024/25 financial statements. There is no other impact on the 2023/24 audit.

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
Russell Coates Museum Valuation (Heritage Assets) In the group accounts., the Council consolidate the accounts of its wholly owned charity, Russel Coates Art Gallery and Museum. The Charity holds material Heritage Assets including the Museum building itself. In previous years, the charity, and the group, has valued the museum building on an insurance valuation basis. In 2023/24, the final audited accounts of the charity updated it's valuation of the museum building, obtaining a full RICS valuation, valuing the asset on a depreciated replacement cost (DRC) basis. The draft group accounts valued the asset on the insurance value and therefore there was a different in approach between the charity and the group.	We challenged management on whether it was appropriate to continue to use the insurance valuation approach or to adopt the DRC valuation as used in the final audited charity financial statements. Management concluded that it was appropriate to update the group accounts to reflect the new valuation approach given this was new information which had been adopted by the charity. We also challenged on whether this change constituted a prior period adjustment due to error or whether it was a change in accounting estimation technique in the group accounts. The CIPFA code requires heritage assets to be valued by '*any method that is appropriate and relevant*'. There is no requirement for valuations to be carried out or verified by external valuers'. Management have therefore, concluded that, the insurance valuation approach was indeed appropriate and relevant for the prior year. We obtained advice from our auditor's valuation expert to understand whether DRC valuation was appropriate for this type of asset given the heritage status of the asset. We were able to conclude that this is appropriate and reviewed the detailed valuation to confirm that the BCIS value used was at the higher range as advised by our expert. This was confirmed.	We concur with management's decision to update the group accounts to reflect the updated DRC valuation of the museum. We also agree that this is change in estimation technique and not indicative of a prior period adjustment. The final accounts have been updated to reflect this and a reduction in the asset of £25.3m at 31 March 2024 has been recorded between draft and final figures. The reason for the significant different in valuation using the two approaches is due to an insurance valuation effectivity providing the cost to replace the property if damaged whilst the DRC approach provides a depreciated amount. An insurance valuation also allows for the demolition and removal of material if required, whilst this would not normally be included in a DRC valuation. Overall, we are satisfied that the new carrying value of the Museum Building in the final group financial statements is reasonable.

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.

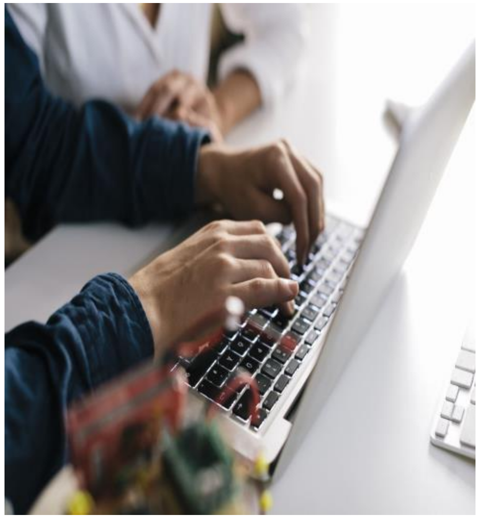
Significant matter	Commentary	Auditor view
Going concern In the draft accounts presented for audit on 31 May 2024 the Council included the following in respect of going concern. *'Although there are a number of external and internal challenges for the Council to face the assessment of the council is that despite these, its financial position is compatible with the status of a going concern. '* In the intervening period since drafting the accounts the Council's cashflow position has deteriorated further. This has been driven by continued increase in the Special Educational Needs and Disability (SEND) deficit which is now estimated to be £160 million in deficit by the end of 2025/26. Management have reflected on this and have revised the going concern note to more explicitly reference the increased cashflow risk on the horizon.	The Councils cash flow forecasting identifies a negative cash position in 2025/26. The Council has considered options to close the gap but is concerned that borrowing to finance this gap would be in breach of the prudential framework. The Council has been in dialogue with MHCLG in this regard, initially to discuss the potential of a capitalisation direction to cover the forecast cash shortfall and more recently the use of temporary borrowing to cover any shortfall whilst not breaching the prudential framework.	Whilst we recognise the significant financial challenges the increasing SEND deficit places on the Council, we do not think this constitutes a situation that places the adoption of the going concern in doubt. Due to the backstopping of the 2023/24 audit we are not in a position to conclude on the appropriateness of the adoption of the going concern assumption. However, we note that Practice Note 10 issued by the FRC in 2020 explicitly focuses on the continuation of service as the main driver for going concern. And whilst concerns are referenced in the revised going concern note in the final financial statements, no material uncertainty to this adoption of this assumption is referenced. More information on Practice Note 10 in respect of going concern is provide on page 32.
Land Values The Council's land and buildings management expert used a single land value per hectare for developed land and another single land value per hectare for undeveloped land for all assets within the Council's portfolio subject to revaluation in 2023/24. We deemed this to be unusual given the range of locations, assets types and planning permission of land within the Council's locality. We challenged management as to the appropriateness of this approach and why it does not present a risk of material misstatement.	We sought advice from our own Auditor Valuation Expert who agreed with our initial view and supported us in areas of further challenge to the Council's valuer. We discussed our concerns with management and then subsequently the Council's valuer which included obtaining further support from the Valuer on the land values. This highlighted that the majority of land was actually homogenous, or of small value where changes in land value would not impact them overall valuation significantly. As a result, we were able to gain sufficient assurance over the reasonabless of this approach. However, one asset which was significant in value and from our previous knowledge of the asset historically had a higher land value than the others was the Bournemouth International Centre (BIC). Its prime location and use had historically justified higher values by previous valuers. Management agreed to undertook its own review of the land element of the BIC using its internal valuer. This revised valuation provided a higher estimation than that used in the initial valuation and the Council has decided to updated the accounts to reflect this £3.6m increase.	Overall, after the adjustment to the BIC land was processed, we were able to gain sufficient assurance over the valuation of land at 31 March 2024. We recommend the Council engage with its valuer in 2024/25 to ensure the land values are appropriate in particular considering the BIC and ensuring the valuer is aware of the nature of this asset.

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 and Governance Committee. We have not been made aware of any 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.
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 which is included in the Audit and Governance Committee papers. Specific representations have been included in relation to the Council's position on Equal Pay.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banking and borrowing / investment institutions. This permission was granted, and the requests were sent. All of these requests were returned with positive confirmation.
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.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. As in prior years, this is a complex audit and requires significant input from Council staff to support the audit process. Whilst there were some delays in some areas of information requests, Council staff were engaged in the audit process and supported the audit. We will continue to work closely within the finance team to continue to drive improvements in the audit process going forward.

2. Financial Statements: other communication requirements

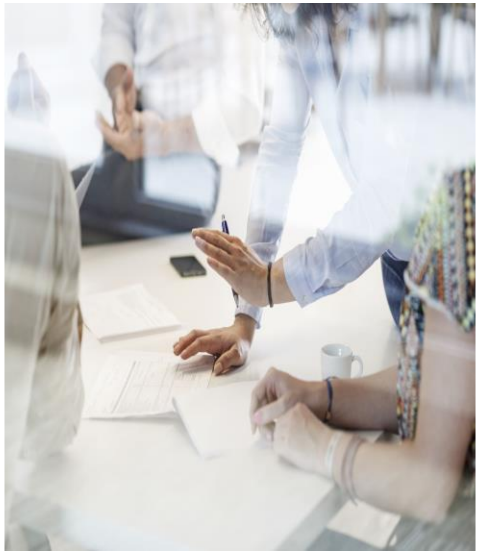
Our responsibility

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 planned to consider and evaluate: • 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. However, due to the prior year backstopped audit we have not been able to 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. The narrative report in the draft statement of accounts was missing key required information such as outturn results however this has been adequately rectified by management.
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 we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness We have nothing to report on these matters except that we raised three new and two rolled forward key recommendations as part of our value for money work within our 2023/24 Interim Auditor's Annual Report dated 18 November 2024. Further details can be seen in Section 3 – Value For Money Arrangements (page 35). We are also considering an objection brought to our attention by a local authority elector under section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this matters do not have a material effect on the financial statements for the year ended 31 March 2024. We have nothing further to report on these matters.



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
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 work is not required as the Council does not exceed the threshold
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2023-24 audit of the Council in the audit report due to a request from the NAO, who are undertaking further work on the Whole of Government Accounts across the sector. We are also unable to certify completion until we have completed our consideration of an objection brought to our attention by a local authority elector under section 27 of the Local Audit and Accountability Act 2014. We are satisfied that these matters do not have a material effect on the financial statements for the year ended 31 March 2024.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

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 has already been presented.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Following our work, we are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The significant weaknesses we identified are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code, see Appendix H.

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	R	Two key recommendations on the transformation programme and the medium-term plan. Three improvement recommendations made.	R	Two new key recommendations raised in 2023/24 relating to the plan to manage the Dedicated Schools Grant (DSG) deficit and the Council's cash position. One significant weakness from the prior year remains outstanding in respect of medium-term financial plan. Positively, the prior year key recommendation in respect of the control and management of the transformation programme, as well as the delivery of savings and management of costs has been removed. No new improvement recommendations made in 2023/24 but one improvement recommendation from the prior year remains open.	↔
Governance	R	One key recommendation made in relation to the Council entering in high-risk ambitious projects without due governance. Seven improvement recommendations raised.	A	No significant weakness identified. The key recommendation from the prior year has been resolved and closed. We raised one improvement recommendation in 2023/24 and a further two improvement recommendations from the prior year remain open.	↑
Improving economy, efficiency and effectiveness	R	Two key recommendations raised around children's social care and BCP Future Places. One improvement recommendation raised in 2021/22 and 2022/23. Two improvement recommendations from 2020/21 remain open.	R	The key recommendation raised in the prior year relating to transformation and BCP Future Places is closed. We raise a new key recommendation on the Council's SEND provision. One key recommendation from the prior year relating to children's services remains open.	↔

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

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]).

All the above referenced Standards require that we communicate at least annually with you regarding all relationships between Grant Thornton UK LLP in the UK ("Grant Thornton UK") and other Grant Thornton firms and associated entities ("Grant Thornton") and covered persons (as defined in the FRC Ethical Standard) and the Council, its directors and senior management and its affiliates ("the Group") that, in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity.

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 at Appendix E.

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.

5. Independence considerations

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 Company 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 Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
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 Group's board, 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 [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent 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.

5. Independence considerations

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 February 2025, 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 Teachers pension return	10,000 (2022/23) 7,500 (2021/22)	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 £10,000 in comparison to the total fee for the audit 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) Management threat	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.
Pooling of Capital Receipts Return	10,000 (2022/23) 10,000 (2023/24) 7,500 (2021/22)	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 £10,000 per year in comparison to the total fee for the audit 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) Management threat	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 Benefits	49,000 (2022/23)	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 £49,000 in comparison to the total fee for the audit 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) Management threat	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.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

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 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified 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	Financial Statements – Presentations and working papers As identified in the previous year, a number of errors were identified in the financial statements and the quality of evidence provided to support the financial statements is not always sufficient. There remains the need to focus attention on providing the right information first time and with suitable supporting evidence to support samples selected for testing	We recommend the Council review its year end processes to support higher quality financial statements and implement a project plan in conjunction with the audit team to set key delivery points through the audit process which will hold management and the audit team to account for the smoother delivery of the audit. **Management response** The closedown timetable for 2024/25 is currently being pulled together which we will share with the external auditors to ensure we can manage a smoother audit process.
● High	Property, plant and equipment Given the number of issues identified in the audit work on property, plant and equipment and the significant time it took to complete our work in this area we have made a number of recommendations to management to improve this area of the accounts and audit going forward.	In relation to property, plant and equipment we recommend • The finance team should work closely with estates and the external valuer to ensure all parties are clear on their roles within the valuation process. • Management should review assumptions with the valuer for the Bournemouth International Centre due to the nature of the asset and prime location to ensure they are appropriate and consistent with Council records. • We recommend management work alongside estates team to ensure information provided to the valuer is up to date and complete to avoid the need for valuation reconsiderations during the audit. • Reviewing assets with net book value of zero for appropriateness • Ensuring discussions with the Council to confirm if any assets have changed use in year or are still in existence are complete including considering any school transfers to Academy Schools or assets under construction which have become operational in year **Management response** • The Council is currently tendering a new external valuer and lessons learnt from the recent audit have been considered as part of the tendering documents. We accept that improvements can be made internally to improve accuracy of asset valuations.
● High	Information Technology 6 recommendation have been identified in relation to the IT control audit. A separate IT report has been shared with management providing the detail. We have included the significant deficiencies in appendix F.	See appendix F for the significant deficiencies and management responses in respect of these.

Controls

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

C. Follow up of 2021/22 audit recommendations

We identified the following issues in the audit of Bournemouth, Christchurch and Poole Council's 2021/22 financial statements recognising the 2022/23 opinion audit was backstopped. Where the issues are not yet addressed, we will raise a recommendation in our current year actions plan.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Property, plant and equipment Given the number of issues identified in the audit work on property, plant and equipment and the significant time it took to complete our work in this area we have made a number of recommendations to management to improve this area of the accounts and audit going forward.	We continued to find a number of issues within the ausit work on property, plant and equipment's therefore we have made a further recommendation on this in the action plan.
✓	Prepayments We identified an item within our debtors testing which was accounted for as a prepayment. However on review of supporting evidence it was identified that although the invoice and purchase order were dated March 2022, the invoice was not paid until April 2022 and therefore was not a prepayment in 2021/22. This resulted in corresponding debtors and creditors balance for this item but this should be have been included within the balance sheet in 2021/22	We did not identify any errors of this nature during 2023/24.
✓	Receipts in advance We identified a number of receipts in advance where the item had been recorded as a receipt in advance in full when only part of the item had actually been received in advance. This resulted in creditors and debtors being incorrect for these items	We did not identify any errors of this nature during 2023/24.
X	Information Technology 7 recommendation have been identified in relation to the IT control audit. A separate IT report has been shared with management providing the detail	Given the new IT system in place from 1 April 2024, we have made some new recommendations in relation to this within the current year action plan.
✓	Leases Our review of the accounts noted that there had been a significant movement in the disclosures of both finance and operating leases where the Council is the lessor. Our testing identified a number of errors and omissions within this note.	We did not identify any significant issues in the lease disclosures in 2023/24.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of 2021/22 audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>Payroll System</u> The Council currently has two payroll systems inherited from its legacy bodies. In addition 10 schools, mainly in the Christchurch area, engage Dorset Council to provide payroll services. The reconciliation between the output of these payroll systems and the financial systems was not straight forward and caused delays in our ability to perform our testing Our testing also identified that contract documentation for a number of employees sampled were not available for review	The payroll reconciliation continues to require significant auditor input. It is noted that the current payroll systems will likely be in place for a number of years until a new system is procured, therefore limited improvements can be made to the process at this time.
✓	<u>Journals</u> The Council has five finance managers, with responsibility to authorise journal entries posted by more junior staff. Our journal testing has identified that three finance managers are instructing junior staff to post journals which they then subsequently authorise. This renders the underlying control ineffective and more junior staff are less likely to challenge the purpose of any journal. It was noted that journals posted by the deputy S151 officer has not been reviewed and approved as required in the Council's journal policies. There is a risk of this individual posting inappropriate journals. We also noted that some journal approvers did not include that date of when the journal was reviewed and approved.	We did not identify any issues of this nature during the 2023/24 audit.
✓	<u>Bad debt policy</u> Management has not yet set up an aligned debt management policy for the whole of the Council to define actions in the case of non-recoverability and regular review of historic debts that are held on the system.	We did not identify any issues of this nature during the 2023/24 audit.
✓	<u>Bournemouth council house asset register</u> As the Council continues to align its processes following reorganisation, the recording of the council house assets in the underlying records for the Poole neighbourhood is maintained at a greater level of detail than is the case for Bournemouth assets. This allows for a more detail of the underlying asset base ad corresponding revaluation reserve to be provided.	This issues was resolved in 2023/24.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of 2021/22 audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Disposals Within our disposals testing we identified assets which had been disposed of in the accounts within 2021/22 however on review these had been disposed of in prior years but not accounted for in the year they were disposed in.	We found a school in 2023/24 which was derecognised in the current year accounts however converted to a Academy school in the prior year. We will make a recommendation in the action plan in relation to this.
✓	PPE Valuations In our agreement of the fixed register to the valuation reports, it was noted that not all the latest information from the valuer had been reflected in the fixed register asset. The valuation reports also include commentary where assets have moved significantly year on year which if reviewed by the Council would likely have identified some of the issues picked up by our audit work on this.	We did not identify any issues of this nature in the 2023/24 audit.
X	Financial Statements – Presentations and working papers As identified in the previous year, the Council remains on a journey to fully integrate its financial systems. A number of errors were identified in the financial statements and the quality of evidence provided to support the financial statements is not always sufficient. There remains the need to focus attention on providing the right information first time and with suitable supporting evidence to support samples selected for testing	We will continue to make this recommendation in 2023/24 action plan.

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 2024.

Material Adjustments **Detail**	**Comprehensive Income and Expenditure Statement**	**Balance Sheet**	**Impact on total net expenditure £'000**	**Impact on general fund £'000**
1. Group Heritage assets Russell Coates museum valuation updated to reflect the DRC valuation obtained by the Charity (material adjustment)	Nil	Group Balance sheet: Cr Heritage Assets £25.8m	Group I&E: Dr I&E £25.8m	Nil
2. Other land and buildings overstated by £14.4m due to a school which had converted to an Academy in the prior year not being derecognised on the balance sheet in the prior year (material adjustment)	Dr Loss on disposal £14.4 Cr income and expenditure £14.4m	Dr Capital Adjustment Account £14.4 Cr Other land and building £14.4 Dr Revaluation Reserve £3.4m Dr Capital Adjustment Account £3.4	Nil	Nil
3. Various errors were identified in grant income, fees and charges income, other services expenses and REFCUS with cumulative adjustments in the CIES as follows. These errors were due to double counting of incomes and expenditures (material adjustment)	Dr Grant Income £41.8m Cr Other Service Expense £23.8m Cr Fees & charges £14.7m Cr REFCUS £3.2m		Nil	Nil
4. Employee benefits expenses and interest and investment income understated with corresponding overstatements in grant income and other service expenses. These were mainly due to wrong classification of the transaction (material adjustment)	Dr Employee benefit expenses £49.6m Dr Other services expenses £11.6m Cr Interest and investment income £61.2m	Nil	**Nil**	**Nil**

D. Audit Adjustments Cont'd

Non -Material Adjustments Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
5 Council Dwelling overstated by £1.4m due to incorrect housing stock numbers (prior year rather than current year) being used in the valuation.	Nil	Cr Council Dwellings £1.4m Dr Revaluation Reserve £1.4m	Nil	Nil
6. Assets within ' Assets under construction' were identified to be operational within 2023/24. Other land and buildings is understated and assets under construction is overstated by £4.4m		Dr other land and buildings £4.4m Cr assets under construction £4.4m	**Nil**	**Nil**
7. Grant received in advance was unstated by £7.2m due to an incorrect debtor raised to fund community housing grant capital expenditure for 2022-23.	Nil	Dr Capital Adjustment Account £7.2m Cr Capital Grants Receipt in Advance £7.2m Dr Capital Grants Receipt in Advance £7.2m Cr Short Term Debtors £7.2m	Nil	Nil

D. Audit Adjustments Cont'd

Non -Material Adjustments Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
8. Other Service Expenses overstated by £2.4m due to write off of Future Places working capital loan	Dr Corporate income £2.4m Cr Other Services Expenses £2.4m Dr Corporate income £2.4m	Cr Provisions £2.4m	Nil	Nil
9. A number of adjustments were identified in Other land and buildings valuation. The most significant of the adjustments related to the revaluation of the Bournemouth International Centre and the asset valuation increased by £3.6m. Overall the adjustments moved in different directions and resulted in a net impact as follows.	Cr Depreciation £0.4m Dr CIES £1.3	Dr other land and buildings £1.7m Dr Capital Adjustment Account 0.6 Cr Revaluation Reserve £3.2m	Nil	Nil
10. Investment property valuation overstated by £1.8m due to incorrect rental information being used in the valuation of the Dolphin Centre.	Dr Movement on investment properties £1.8m Cr CIES £1.8m	Cr investment property £1.8m Dr Capital Adjustment Account £1.8m	Nil	Nil
11. PFI asset valuation is overstated by £0.74m due to incorrect conversion of land area from acres to hectares.	Dr Revaluation of non-current asset £0.74m	Cr PFI asset £0.74	Nil	Nil

D. Audit Adjustments

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 omission	Auditor comments	Adjusted?
1. Omission of contributions income from the notes	The council had excluded contributions amounting to £106.5m from note 30 and these contribution are not disclosed anywhere in the accounts.	✓
2. Note 14 – Financial instruments	A number of errors were identified in review of note 14. The fair value amount for Long Term Borrowing was disclosed as £228m instead of £180.9m in the fair value report. The council had inadvertently included an amount of £47.2m fair value loan which was not outstanding as of 31 March 2024. Additionally, it was noted that the Council had not provided a breakdown of the Financial Assets in the draft account, which should show the carrying amount and fair value amount of its Financial Assets as required by the CIPFA code.	✓
3. Note 26 – Officers' Remuneration – Senior officers	Following changes made to the Senior Officer Remuneration note (1) Footnote 3 was moved as a narrative to enhance the understanding of the reader re senior officers contracted and paid through agency; and (2) Adding a name on the Corporate Director - Children's Services as remuneration exceeds £150k.	✓
4. Note 24 – Officers' Remuneration (employees over 50k)	The table for employees over £50k or more in bands of £5k had employer pensions contributions included in the gross remuneration. The table has been reproduced to report gross remuneration excluding employer pensions contributions.	✓
5. Narrative Report	The Narrative report omitted areas of required information including financial outturn. This was updated and the final version is compliant with code requirements.	✓
5. Narrative Report	The Narrative report omitted areas of required information including financial outturn. This was updated and the final version is compliant with code requirements.	✓

D. Audit Adjustments

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 omission	Auditor comments	Adjusted?
6. Note 19 - Business Rate Appeals Disclosure Note	The Council had disclosed in the account that the Appeals provisions are based on 2010 and 2017 rating. However, this is not the case as the 2010 rating list is now closed. The Council has confirmed that this disclosure will be changed to 2017 and 2023 ratings instead.	✓
7. Note 12 – Property, plant and equipment	It was noted that the note for capital commitments did not include the prior year comparative figures and therefore has been amended to include these.	✓
8. Note 29 - DSG Disclosure	The total carry forward balance to 24/25 is shown as nil when should be £27.7m	✓
9. Note 35 - Defined Benefit Pension Schemes	There were various miscalculations in the sensitivity analysis disclosure under the defined benefits pensions scheme which did not match the IAS 19 report. The sensitivity analysis was reperformed and the disclosure updated. The 'transactions relating to post-employment benefits note' was updated as the draft note incorrectly excluded interest cost figures and incorrectly calculated the total post employment benefit charged to the comprehsensive income and and expenditure statement.	✓
10. Note 12 – Property, plant and equipment	The comparatives for property, plant and equipment did not agree to the 22/23 unaudited accounts. These were updated to reconcile	✓
11. Note 13 – Investment property	(a) The comparatives for investment property and Fair Value Hierarchy table did not agree to the 22/23 unaudited accounts. These were updated to reconcile	✓

D. Audit Adjustments

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 omission	Auditor comments	Adjusted?
12. Note 16 – Debtors	It was noted that council tax debtors amounting to £4.3m was classified under other debtors. This has been reclassified appropriately. Another debtor in credit amounting to ££0.3m being a receipt for non-domestic rates was also classified under debtors. This was raised to management who reclassified the receipt in advance to creditors.	✓
13. Note 29 – Dedicated School Grant	The balance in the dedicated school grant note did not agree to the amount disclosed in the balance sheet. This was identified by the Council and the draft accounts were amended prior to the commencement of the audit.	✓
14. Note 17 - Cash and Cash Equivalents	The cash and cash equivalents note was wrongly layout out. The draft accounts did not disclose cash held by the authority and bank overdraft balances separately, i.e. a net balance was reported. This was identified by the Council and the draft accounts were amended prior to the commencement of the audit.	✓
15. Note 15 - Nature and Extent of Risks Arising from Financial Instruments	Long term debtors per the balance sheet was £25.6m whilst the financial instruments note disclosed £6.5m therefore resulting in a difference between the two. This misstatement was identified by the Council and the draft accounts were amended prior to the commencement of the audit.	✓
16. Note 1c - Expenditure and Income Analysed by Nature and Note 30 - Government grants and contributions	A number of reclassifications were made within the CIES and the grants income note to move incomes classified under expenditure vice versa. These were identified by the Council and the draft accounts were amended prior to the commencement of the audit.	✓
17. Other adjustments and changes	A number of other minor changes were identified and addressed in various sections of the financial statements during the course of our audit procedures. These changes, although individually immaterial, were considered necessary to enhance the accuracy, completeness, and presentation of the financial information.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

At this stage we have not identified any unadjusted misstatements.

Impact of prior year unadjusted misstatements

Due to the backstop of the 2022/23 audit, we are unable to report prior year unadjusted misstatements.

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Scale fee	433,289	433,289
Additional fee for ISA315 and ISA 240	12,500	15,690
Use of experts – Valuations	6,000	6,000
Audit fee reported in the audit plan	451,789*	
Additional audit work undertaken over and above scale fee, most significant of which include 2022/23 infrastructure assets to aid recovery of assurance on a significant balance Additional work required due to the separate council tax / NDR legacy systems Audit work on housing benefit expenditure due to no longer being the auditors of the Council's subsidy return Delays in the audit process due to complex issues identified		23,000
VFM to reflect number of significant weaknesses in prior year which required review		8,500
Communication with public including responding to an objection		3,500
Total audit fees (excluding VAT)	**£451,789**	**£489,979**

Reconciliation of audit fees per financial statements to the above

Total per above table	£489,979
Less additional fees above scale fee	£56,690
Scale Fee	£433,289
Plus additional fees agreed by PSAA	£18,500
Plus prior year additional fees included in note 28	£67,000
Total	£518,789

Per note 28 total £519,000 which agrees to the above after rounding's

*Note 28 reflects the proposed fee £451,789 (rounded to £452k) plus prior year additional fees £67,000 to give £519,000. This is different to the total fee in above table due to the timings of the approval of additional fees by PSAA.

E. Fees and non-audit services

Non-audit fees for other services undertaken / billed since 1 April 23	Proposed fee	Final fee
Teacher's pension certification (2022/23)	£12,500	£10,000
Teacher's pension certification (2021/22)	£7,500	£7,500
Certification of Pooling Capital receipts grant (2021/22)	£7,500	£7,500
Certification of Pooling Capital receipts grant (2022/23)	£10,000	£10,000
Certification of Pooling Capital receipts grant (2023/24)	£10,000	£10,000
Housing Benefits certification (2022/23)	£49,000	£49,000
Total non-audit fees (excluding VAT)	**£96,500**	**£94,000**

Total audit and non-audit fee	
(Audit Fee) £489,979	(Non Audit Fee) £94,000

Reconciliation of non-audit fees per financial statements to the above

Total per above table	£94,000
Less prior year fees not included in note 28 in current year	£74,000*
Plus difference between proposed and actual cost of teachers pension	£2,500
Total	£22,500

Per note 28 total non-audit fee £23,000 agrees to above after rounding.

*Note only grants included within note 28 relates to proposed fee teachers pension 2022/23 and certification of pooling capital receipts grant 2023/24. All others were included in prior years.

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.

F. IT Audit Significant Deficiencies

Assessment	Issue and risk	Recommendations
●	**User access within MS Dynamics is not appropriately revoked for terminated employees** During our review we noted that leaver's access was not revoked / disabled in timely manner. For the sample leaver tested, we noted that the: • AD account was only disabled 45 days after their last working day. • MS Dynamics user account was still active. In response , we performed 100% testing on all leavers during the audit period and noted that: - • 616 unique leavers still had active accounts in MS Dynamics. • 140 out of these 616 leavers still had active AD accounts. • 71 out of these 140 leavers logged into MS Dynamics after their last working date since Feb'24. • 5 user accounts which are no longer active in AD have logged into MS Dynamics after their last working day since Feb'24. Please refer to Appendix C for leaver's analysis. **Risk** Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorized access transactions. There is also a risk that these accounts may be misused by valid system users to circumvent internal controls.	Management should ensure that a comprehensive user administration procedures are in place to revoke application and AD access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers Management should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner. Where old or unused accounts have been identified, these should be immediately revoked. **Management response** • It is important to note that MS Dynamics is an ERP system and therefore employees in the most have access for HR purposes only for simply requesting leave. • Only a very small number of staff with Finance access have left the organization recently. Controls are in place in that all journals need subsequent approval via line manager before posting. • We will look to work with IT colleagues to tighten up the termination of accounts once an employee has left the organization.

F. IT Audit Significant Deficiencies

Assessment	Issue and risk	Recommendations
●	**Inadequate control over privileged and generic user accounts within MS Dynamics** During our review of privileged and generic user accounts within MS Dynamics, we noted that there are: • 3 named users from BCP finance department with administrative access to MS Dynamics • 2 named users from BCP HR department with administrative access to MS Dynamics • 21 named users from KPMG with administrative access to MS Dynamics which are no longer required. • 3 generic user accounts with administrative access to MS Dynamics setup for the system implementation which are no longer required Please refer to Appendices A and B. **Risk** A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to: - unauthorized changes being made to system parameters - creation of unauthorized accounts, - unauthorized updates to their own account privileges - deletion of audit logs or disabling logging mechanisms. Users with administrative privileges at application level have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data.	Access should be granted based on the principle of least privilege and aligned with job responsibilities. Management should establish segregation of duty policies and processes, ensuring clarity on roles, assigned privileges, and identification of incompatible duties. Creating matrices to provide an overview of privileges assigned to roles may be beneficial. Management should undertake a review of all user accounts on the application to identify all generic/ privileged accounts. For each account identified management should confirm the: - requirement for the account to be active and be assigned privileged access - which users have access - controls in place to safeguard the account from misuse. **Management response** • We will look at the administrative rights given to Finance / HR and IT staff to ensure it is necessary and adequate safeguards are in place • We have reached out to KPMG to remove employees who no longer need access to the system post implementation

F. IT Audit Significant Deficiencies

Assessment	Issue and risk	Recommendations
●	**Segregation of Duties threats due to business users performing system administrator duties in Civica.** Administrative access to Civica has been granted to one user who has financial responsibilities. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict. Please refer to Appendix - D for user details. **Risk** A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to: - unauthorized changes being made to system parameters - creation of unauthorized accounts, - unauthorized updates to their own account privileges - deletion of audit logs or disabling logging mechanisms.	Access should be granted based on the principle of least privilege and aligned with job responsibilities. Management should establish segregation of duty policies and processes, ensuring clarity on roles, assigned privileges, and identification of incompatible duties. Creating matrices to provide an overview of privileges assigned to roles may be beneficial. In cases where incompatible business functions are assigned due to organizational size constraints, management should implement review procedures to monitor activities. This may include reviewing system reports of detailed transactions, selecting transactions for review of supporting documents, overseeing periodic counts of physical inventory or assets, and reviewing reconciliations of account balances. **Management response** • Business continuity requires this responsibility. Civica Financials is an accounts receivable database therefore we do not pay out monies. The database is for income owed to the Authority. There has been no report of concern by the Head of Service in the 20 years the Council has been using the system. • The system is end of life and will be shut down in October 2024.

G. Audit opinion

Our anticipated audit report opinion will be modified with a Disclaimer Opinion. Please see our proposed opinion wording which has been shared as a separate paper for Audit and Governance committee.

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