

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

Year ended 31 March 2025

2 January 2026



Bournemouth, Christchurch and Poole Council
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 Bournemouth
 BH2 6DY

2 January 2026

Dear Members of the Audit and Governance Committee

Audit Findings for Bournemouth, Christchurch and Poole Council for the 31 March 2025

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

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

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

Chartered Accountants

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**DRAFT**

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

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

Barrie Morris

Partner
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Bournemouth, Christchurch and Poole Council (the 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2026 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 Authority's financial statements give a true and fair view of the financial position of the group and Authority and its 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.

As of this report's date, we have concluded the majority of our audit work, detailing the findings in the body of this report. For work not yet concluded, we have highlighted the work undertaken to date, and any findings or recommendations.

Our findings to date are summarised on pages 12 onwards. We have identified a number of adjustments to the financial statements however these adjustments do not impact the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed from page 38 .

Owing to the challenges of undertaking an audit where a previous years' audit (2022/23) was subject to backstop-related disclaimed audit opinion, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 27 February 2026. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements.

Headlines

Value for money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, presented at the November 2025 Audit and Governance Committee. We identified significant weaknesses in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources in relation to the dedicated schools grant deficit and the statutory direction in place in relation to SEND (special education needs and disabilities).

Our findings are set out in the value for money arrangements section of this report (page 49-52) and in our Auditors Annual Report.

Headlines

Statutory duties

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

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

We have not exercised any of our additional statutory powers or duties.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- confirmation has been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the Comptroller and Auditor General (C&AG) and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code;
- work in relation to outstanding objections, or other matter that has come to the auditor's attention is complete

Section 26 of the Act grants interested persons the right to inspect accounting records of local authorities during the inspection period which runs for 30 days. The dates of the Councils inspection period are published on their website and during this period local electors can request questions about the accounts and make objections in respect of them. We have been made aware that the Council has struggled to respond to detailed queries in a timely way, thereby curtailing the time available for local electors to raise issues with us as the external auditors. Whilst it is not our role to enforce compliance with the Act, the Council should ensure it has a smooth process and resources in place to respond to requests made in this period in a timely manner and to engage positively with local electors. We have made a recommendation to management in respect of this in the action plan.

Significant matters

We have noted improvements in the Council's response time to audit queries and increased resource being available at the Council in order to support the audit process. However, we identified significant delays in obtaining working papers to support audit of housing benefit expenditure which also impacted the completion of our IT review of the new system implementation.

We will continue to work closely with the council to continue to help improve the efficiency and timeliness of the audit in 2025/26.

Headlines

National context – audit backlog

Government proposals around the backstop

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

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

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

As noted on the following page, we needed to issue a backstop opinion on the 2022-23 financial statements.

Headlines

National context – local audit recovery

In the audit report for the year ended 31 March 2023, a disclaimer of opinion was issued due to the backstop legislation. For the year ended 31 March 2024, a full audit was undertaken however a disclaimer of opinion was given due having no assurance on opening balances and some closing balances.

As a result, for 2024/25 we have:

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

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

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

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

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

Headlines

Implementation of IFRS 16

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

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

Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

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

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

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

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

Impact on the Authority

The council recognised right of use assets of £3.53m and lease liabilities of £4.68m. Our review focused on the risk of completeness where we undertook a number of procedures to gain assurance over the Council's procedures for identifying all leases included any peppercorn leases. The details of these procedures are set out on page 25.

Group audit

Group audit

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Status	Comments
BCP Council	Yes	Audit of the entire financial information of the component	Same as planning	●	We are currently finalising our audit of Bournemouth, Christchurch and Poole Council's financial statements as set out in more detail on page 6.
Five Parks Charity	Yes	The Charity holds material tangible assets therefore Specific audit procedures will be undertaken on this balance.	Same as planning	●	We are currently finalising our review of land and buildings. We are currently finalising our review of the consolidation entries in the group accounts.
The Lower Central Gardens Trust	Yes	The Charity holds material tangible assets therefore Specific audit procedures will be undertaken on this balance.	Same as planning	●	We are currently finalising our review of land and buildings. We are currently finalising our review of the consolidation entries in the group accounts.
The Russell Cotes Art Gallery and Museum Charitable Trust	Yes	The Charity holds material heritage assets therefore Specific audit procedures will be undertaken on this balance.	Same as planning	●	Our review of heritage assets identified an adjustment to the valuation of heritage assets, reducing the value by £6.96m due to the revaluation adjustment being incorrect. This has been adjusted and no further issues in respect of the valuation of these assets in the group accounts as at 31 March 2025 were identified. We are currently finalising our review of the consolidation entries in the group accounts.

● Planned procedures are substantially complete with no significant issues outstanding.

○ Planned procedures are ongoing/subject to review with no known significant issues.

■ Planned procedures are incomplete and/or significant issues have been identified that require resolution.

Group audit

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Status	Comments
Tricuro Ltd	No	Specific procedures on cost of sales	Analytical Procedures	●	<p>Note at the planning stage of the audit, we determined specific procedures on cost of sales to be required as we expected this balance to be above materiality levels. On receipt of the Tricuro Ltd accounts, we were able to confirm cost of sales is below group materiality levels and therefore we have reassessed our scoping in respect of this. As cost of sales is the balance, which is consolidated into the group accounts, was confirmed to be below materiality we have rescoped this as no specific procedures required and only analytical procedures required.</p> <p>We are currently finalising our review of the consolidation entries in the group accounts.</p>

- Planned procedures are substantially complete with no significant issues outstanding.
- Planned procedures are ongoing/subject to review with no known significant issues.
- Planned procedures are incomplete and/or significant issues have been identified that require resolution.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 16 May 2025, we determined materiality at the planning stage as £18.90m (Council) and £19.8m (Group) based on 1.9% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements.

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

Basis for our determination of materiality

- We have determined materiality at £18.90m (Council) and £19.85m (Group) based on professional judgement in the context of our knowledge of the Authority, complexity and operating environment, developments in the year and risk and experience from prior year audits.
- We have used 1.9% of prior year gross expenditure as the basis for determining materiality. We reassessed this on receipt of the draft accounts and deemed this level to continue to be the appropriate levels to apply.
- In the prior year we used a benchmark of 1.45% to calculate materiality. Due to changes in the firm's overall risk assessment of Local government bodies, we have increased this to 1.9% in 2024-25 which recognises our overall risk assessment of the Council and its recent track record of producing good quality accounts and responding to audit inquiries in a timely manner.

Specific materiality

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

Reporting threshold

We will report to you all misstatements identified in excess of £0.945m (other than senior officer's remuneration), in addition to any matters considered to be qualitatively material.

	Group (£)	Council (£)	Qualitative factors considered
Materiality for the financial statements	19,853,000	18,900,000	We consider the size, complexity and operating environment.
Performance materiality	12,935,000	12,285,000	Consideration of prior year quality of financial statements, internal control arrangements.
Specific materiality for senior officer remuneration	20,000	20,000	Sensitivity to public interest and the reader of the accounts.
Reporting threshold (triviality)	995,000	945,000	Based on 5% of materiality.

Overview of significant risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages. Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

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

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Medium	●
The revenue cycle includes fraudulent transactions	Rebutted	↔	✗	Low	●
The expenditure cycle includes fraudulent transactions	Rebutted	↔	✗	Low	●
Valuation of land and buildings including council dwellings	Significant	↔	✗	High	●
Valuation of investment properties	Significant	↔	✗	High	●
Valuation of the Pension Fund net liability	Significant	↔	✗	High	●
IFRS 16 implementation	Other	↔	✗	Medium	●

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

● Not likely to result in material adjustment or change to disclosures within the financial statements

○ Potential to result in material adjustment or significant change to disclosures within the financial statements

● Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting 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 their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work has not identified any issues in respect of management override of controls.</p> <p>Our review of journals focused on those we deemed to be higher risk or unusual journals following a detailed risk assessment. For those journals deemed to be higher risk or unusual, an understanding of the journal, including supporting evidence, was obtained to support the entries made. From this review we did not identify any inappropriate journal entries or instances of management override of control.</p> <p>At this stage, we are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>We will finalise our conclusion in respect of the risk of management override once all audit testing across the audit is complete.</p>

Significant risks

Risk identified

The revenue cycle includes fraudulent transactions

Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition.

The expenditure cycle includes fraudulent transactions

Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.

Audit procedures performed

We have identified and completed a risk assessment of all revenue streams for the Council and Group. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively

We have identified and completed a risk assessment of all expenditure streams for the Council and the Group. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk and therefore have rebutted the risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.

Key observations

We deemed our assessment at the planning stage of the audit to rebut the risk of fraud in revenue recognition risk to continue to be appropriate at the final accounts stage of the audit.

We have noted no material adjustments or findings in relation to improper revenue recognition

We deemed our assessment at the planning stage of the audit to rebut the risk of fraud in expenditure risk to continue to be appropriate at the final accounts stage of the audit.

We have noted no material adjustments or findings in relation to improper recognition of expenditure.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings including council dwellings	<p>We have:</p> <ul style="list-style-type: none"> 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; written 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 a sample of revaluations made during the year to confirm 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 	<p><u>Land and Buildings</u></p> <p>The Council's land and buildings were valued using an external valuer. The external valuer used in 2024/25 was a new valuer who had not valued the Council's portfolio previously. We therefore considered the instructions to valuation experts and the competence, capabilities and objectivity of the external valuer used by the Council. We instructed our auditor's expert to review and comment on the valuation instruction process (i.e. terms of engagement), the valuation methodology, approach, and the assumptions adopted and any relevant points.</p> <p>A number of queries and challenges were raised which required responses from management and management's valuers. Our work in concluding on these is still in progress.</p> <p>We undertook detailed testing on a sample of assets where we considered, amongst other factors, there to have been significant changes in the underlying assumptions; where movements in valuation were not in line with our expectation; or where we deemed assets to be large or unusual. Our detailed testing of these assets included recalculating the valuations to confirm the original valuer calculations, detailed testing of assumptions and source data (such as floor plans, pupil numbers, land size, price per acre, rental yields and income for car parks) and consideration of obsolescence.</p>

Significant risks

Valuation of land and buildings including council dwellings - key observations continued

Council Dwellings

Our auditor's expert reviewed the instructions and overall methodologies for the valuation of the Council's housing stock which was undertaken by the Council's external valuer. We were able to obtain sufficient responses from the valuer for the queries raised by our expert. The Council applies a beacon approach to its valuation of Council dwellings and all 136 beacon properties were formally revalued in 2024/25.

In previous years, the Council held two separate housing revenue accounts for Bournemouth and Poole each requiring separate valuation exercises. In 2024/25 these have been brought together and the previous beacon structures, inherited from the legacy councils, has been reviewed and a harmonisation exercise undertaken aimed at aligning the beacon properties with the current housing portfolio. This approach has reduced the beacon properties from 223 across Poole and Bournemouth to 136 beacons across the whole portfolio.

As part of our testing strategy, we considered the appropriateness of the new beacon classifications and verifying that assets are correctly allocated to their respective beacons.

Our auditors' valuation expert raised a number of queries on the valuation approach which were responded to appropriately by management and management's valuation expert.

Our review included understanding the Council's approach to the beacon valuations and selecting a sample of beacons and properties to test to ensure the beacon valuations were reasonable in comparison to comparable properties being marketed for sale as well as completing the same review for individual asset valuations. We reviewed the archetypes allocated to properties and did not identify any discrepancies.

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>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.</p> <p>We therefore identified valuation of investment property, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 confirm 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. 	<p>The Council's external valuer revalued all of the Council's investment properties portfolio as at 31 March 2025.</p> <p>We instructed our auditor's expert to review and comment on the valuation instruction process (i.e. terms of engagement), the valuation methodology, approach, and the assumptions adopted and any relevant points. A number of queries and challenges were raised for the external valuer used by the Council. We were able to obtain sufficient responses and further evidence where required from both valuers to satisfy us that the instruction process and overall valuation methodology and approach used were appropriate for investment properties.</p> <p>We selected a sample of investment properties for detailed testing including individually significant properties, those where the value was outside of our expectations and a sample of those where the value was in line with our expectations.</p> <p>We did not identify any discrepancies in our review of the valuation of investment properties.</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the Pension net liability	<p>We have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management evaluate 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 Authority's pension fund valuation; assessed the accuracy and completeness of the information provided by the Authority 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; undertaken 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; reviewed the impact of IFRIC 14; and obtained assurances from the auditor of 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 fund financial statements. 	<p>In the 2024/25 draft accounts, the Council reported a pension net asset position of £66.15m. Our review of the actuary's report identified that the actuary had not allowed for an asset ceiling (IFRIC 14) to be incorporated into the balance sheet as at 31 March 2025. We challenged management on this and management confirmed this was an error in communication with the actuary. Management therefore requested an updated review by their actuary to include the IFRS 14 calculations and impact.</p> <p>On receipt of the updated report, the actuary applied a £128.07m asset ceiling which has resulted in an overall net position for the Council balance sheet of a net liability of £62.88m. The Council has adjusted the final financial statements to reflect these updated calculations.</p> <p>This is the first year which the Council has been required to apply an asset ceiling due to the continuing reduction in the net defined liability position over recent years to an asset position in 2024/25.</p> <p>Whilst we have not yet received our letter of assurance from the Dorset Pension Fund auditors, our discussions with them have not identified any significant issues or areas of concern. They have identified a number of non-material estimation differences in the valuation of Pension Assets, but as these are not material, they will not impact the overall financial statements produced by the Council. We are expecting to receive the final letter of assurance from them in early January 2026.</p>

Other risks

Risk identified	Audit procedures performed	Key observations
IFRS16 implementation	<p>Our work has included assessing:</p> <ul style="list-style-type: none"> • accounting policies and disclosures; • application of judgment and estimation; • processes to ensure all leases are captured; • systems to capture the process and maintain new lease data and for ongoing maintenance; • calculations of lease liabilities and corresponding right of use assets; and • identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate. 	<p>The impact of the application of IFRS 16 has not had a material impact on the Council balance sheet with a right of use asset of £3.53m being reported as at 31 March 2025.</p> <p>Our work did not identify any issues in respect of the completion of leases or application of IFRS 16. Given the overall impact was not material, the disclosure requirements in respect of IFRS 16 are less than if there was a material impact following the implementation of the standard.</p> <p>We undertook a number of procedures to ensure the completeness of the Council's IFRS 16 assessment including, considering whether any leases previously disclosed as operating leases had been excluded from the IFRS 16 assessment, testing assets the Council deemed to be out of scope and reviewing assets which the Council pays business rates for to identify if there are any potential lease agreements which the Council has not considered. We did not identify any issues in respect of completeness of the disclosures from this review.</p> <p>Overall we did not identify any issues with the Council's implementation of IFRS 16. Our work in this area is still subject to internal quality review.</p>

Other findings

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The revenue recognition policies included within the financial statements are appropriate and in accordance with the Code.	No matters to report.	● Black
Expenditure recognition	The expenditure recognition policies included within the financial statements are appropriate and in accordance with the Code.	No matters to report.	● Black
Valuation methods	Valuation methods are appropriate and in accordance with the Code.	No matters to report.	● Black
Other critical policies	The other accounting policies noted in the financial statements are deemed to be appropriate.	No matters to report.	● Black

Assessment:

- Red = Marginal accounting policy which could potentially be open to challenge by regulators
- Amber = Accounting policy appropriate but scope for improved disclosure
- Green = Accounting policy appropriate and disclosures sufficient
- Black = No overall conclusion formed this year, as our opinion has been disclaimed

Other findings – key judgements and estimates

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £857.58m at 31 March 2025	<p>Other land and buildings comprises of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) 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.</p> <p>The Council has engaged a new valuer, Lambert Smith Hampton to complete the valuation of properties as at 31 March 2025 on a five yearly cyclical basis.</p> <p>The total year end valuation of land and buildings presented in the final audited accounts is £857.58m, a net increase of £54m from 2023/24 (£803.54m).</p>	<p>Our work on the valuation of land and buildings is currently being finalised.</p>	● Black

Assessment:

- Red We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious
- Black No overall conclusion formed this year, as our opinion has been disclaimed

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of council dwellings £762.67m at 31 March 2025	<p>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.</p> <p>The Council engaged its Lambert Hampton Smith to complete the valuation with all beacon properties subject to revaluation in 2024/25.</p> <p>In 2024/25 the Council merged the Bournemouth and Poole separate neighbourhood HRAs and updated their beacon methodology to reflect a joined up HRA. This has streamlined the approach to valuations and financial reporting for Council dwellings.</p>	<p>Our audit work in respect of the valuation of council dwellings did not identify any significant issues.</p>	 Black
Valuation of investment property £71.71m at 31 March 2025	<p>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.</p> <p>The Council engaged its external valuation expert to value its investment properties. Norse were engaged and valued these properties alongside their Land & Buildings valuations.</p> <p>The largest assets within the Council's investment property portfolio are Madeira Road student accommodation, Mallard Road retail units and the Dolphin Centre (Shopping Centre).</p> <p>The year end valuation of investment properties was £71.71m at 31 March 2025 an increase of £2.16m from 2023/24.</p>	<p>Our audit work in respect of the valuation of council dwellings did not identify any significant issues</p>	 Black

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability £62.88m at 31 March 2025	<p>The draft accounts reported a net pension asset of £66.15m. However, the Council had not instructed the actuary to consider the impact of IFRIC 14 on this.</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan.</p> <p>The Council requested an updated report from their actuary applying IFRIC 14 requirements. The final actuaries report showed an asset ceiling requirement of £128.07m which is required to be applied to the net pension asset and consequently give an updated net pension liability value on the balance sheet of £62.88m.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> assessed management's expert to ensure they are suitably qualified and independent; assessed the actuary's roll forward approach taken; and used PwC as auditor's expert to assess the actuary and assumptions made by actuary. The table summarises where the Council fall in the acceptable ranges set out by PwC: 	 Black

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.8%	5.6% - 5.95%	Reasonable
Pension increase rate	2.9%	2.85% - 2.95%	Reasonable
Salary growth	3.9%	3.1% - 5.1%	Reasonable
Life expectancy – Males currently aged 45 / 65	23.1 / 21.8	20.6 – 23.1 / 19.2 – 21.8	Reasonable
Life expectancy – Females currently aged 45 / 65	25.4 / 24.0	24.1 – 25.7 / 22.7 – 24.3	Reasonable

We are awaiting the receipt of the final letter of assurance from Dorset Pension Fund auditors.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Minimum revenue provision (MRP) £5.74m MRP plus £5.68m voluntary MRP</p>	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The Council's approach for calculating and providing for its MRP has not changed since the prior year.</p> <p>The Council's MRP strategy is required to be approved by full Council ahead of the financial year.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> confirmed the MRP meets the requirements as set out in regulations and statutory guidance; confirmed the Council's MRP to Capital Financing requirement and Debt to Capital Financing requirements are appropriate; and understood and reviewed the calculation process undertaken by management <p>The Council sets aside £10.7m in total for the repayment of debt, with the remaining amount above the calculation of the statutory MRP being set aside as additional voluntary overpayments. As the Council uses the annuity approach to calculate its MRP calculations, the MRP is linked to the flow of benefits from an asset where the benefits are expected to increase in later years. This means the MRP will increase year on year and therefore the Council setting aside voluntary MRP in the earlier years will help the Council smooth the impact of this.</p> <p>Following consultation, MHCLG have clarified and updated the regulations and the statutory guidance for MRP. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute. The Council already complies with this requirement.</p>	<p>● Black</p>

Other findings – Information Technology

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

Where significant deficiencies have been identified, we have made recommendations to management within our IT Findings report. We have then considered the impact these have on our audit approach and where required have adjusted our procedures to ensure we have sufficient assurance in the areas where significant deficiencies were identified.

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	●	●	●	●	Risk of management override of controls
Civica	Design and Implementation testing	●	●	●	●	Risk of management override of controls
Capita Cloud	Design and Implementation testing	●	●	●	●	Risk of management override of controls
Active Directory	Design and Implementation testing	●	●	●	●	N/A

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

Other findings – Information Technology

We also performed specific procedures in relation to the significant changes, events and 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
Capita Cloud	New system implementation	Deficiencies identified	Completeness and accuracy of migrated transferred

During November 2024, the Council migrated all Revenue and Benefits accounting records from legacy systems onto a single database, New Capita Cloud. The legacy systems were Capita (Christchurch and Poole) and Capita (Bournemouth).

Whilst Poole and Christchurch already used Capita to process revenue and benefits transactions, a migration was still required in order to transfer balances from an ‘On Premise’ to the ‘Cloud’ version.

Audit procedures to assess the completeness and accuracy of data migrated from legacy systems to the new Capita cloud system began at that end of January 2025. The key contacts, with an understanding of the migration process and reconciliations performed, left the Council at the end of February 2025. At this stage, reconciliations and supporting information for each of the Councils, financial balance types and audit trail for differences identified had not been provided. It took the council until November 2025 to provide all data that could be traced.

As a result, we undertook reconciliation procedures to assess whether the underlying records agreed to the reconciliations provided and the extent of differences. Enquiries were performed to understand whether the differences were known by the Council and if journals had been posted to correct the differences. Reconciling differences were identified across Housing benefits, debtors, NNDR and Council tax. For debtors and NNDR the Council had identified these differences and either had corrected or written them off, or had identified the differences but are yet to correct or write off. For housing benefits and council tax we identified differences which had not been identified by the Council as the reconciliations were not undertaken.

We have considered the impact of this on our audit procedures and where necessary have undertaken further work to gain assurance over the new system implementation.

Whilst the Council has not retained complete and accurate records to validate the migration of data, none of the differences identified are material in nature, whether treated as individual balances or in combination.

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee and 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	We have not identified or suspected non-compliance of laws and regulations and nature, timing and extent of related audit procedures performed.
Written representations	Representations will be requested from management in respect of the significant assumptions used in making accounting estimates.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent and were returned with positive confirmation.
Disclosures	A number of amendments were identified and required to be processed in the disclosures of the accounts. We have set these out in more detail on the audit adjustments slide.
Audit evidence and explanations	All information and explanations requested from management was provided.
Significant difficulties	As noted previously, there were significant delays in the provision of housing benefit working papers including to assist the IT required on the new system implementation. We have now received these and are able to commence our testing.
Other matters	No other matters to report.

Other responsibilities

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> • 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 Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern <p>We will be reviewing management's going concern assessment on receipt of this.</p> <p>However, as this year's audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • 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.

Other responsibilities

Issue	Commentary
Other information	<p>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.</p> <p>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, if we have applied any of our statutory powers or duties. where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. <p>Our review of the Annual Governance Statement is in progress.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Detailed work is required if any of the following thresholds are above £2bn:</p> <ul style="list-style-type: none"> total assets excluding PPE total liabilities less pension liabilities total income total expenditure <p>The Council does not exceed these thresholds therefore detailed testing is not required.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2024/25 audit of Bournemouth, Christchurch and Poole Council once we have formally responded to the objections made in respect of the financial statements and when we have received confirmation from the National Audit Office (NAO) that the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025.</p>

Audit adjustments

Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
	£'000		£'000	£'000
The impact of IFRIC 14 on the Councils net pension asset position resulted in an asset ceiling on £128.07m being applied.	-	Cr Net pension asset / liability £128,068	-	-
The draft accounts reported a net pension asset however after applying the asset ceiling, the updated accounts report a net pension liability of £62.88m.		Dr Pension Reserve £128,068		
The Skills and Learning service is operated as a shared service with Dorset Council. During testing we identified that the Council posted journals to account for Dorset Council's share, but in each case posted the full value of the service rather than the 49% portion. The Council has agreed to correct the journals.	Dr Employee benefit expenses £1,922 Dr Other services expenses £1,915 Cr Fees and charges income £706 Cr Government grants £3,131			
Grant income and other services expenditure are understated by £11.352m in the consolidated position. The Comprehensive Income and Expenditure Statement presentation does not reflect the Council's true transactions with its maintained schools.	Dr Other services expenses £11,352 Cr Government grants & contributions £11,352		-	-

Audit adjustments cont'd

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
A Collection Fund debtor balance of £2.482m was incorrectly classified as a creditor. The error affected balance sheet presentation only and did not change the Comprehensive Income and Expenditure Statement.		Dr Creditors £2,482 Cr Debtors £2,482		
We identified an Assets under Construction (AuC) classification error. Craven Court property was complete and operational during the year but remained classified under AuC. A review of the AuC population confirmed that costs for this asset had not been transferred to the appropriate PPE category.		Cr AuC £3,025 Dr Council dwellings £3,025		
Group Balance sheet – Heritage assets valuation in the group balance sheet adjusted from £54.34m to £47.37m due to revaluation adjustment incorrectly processed.		Cr Heritage assets £6,970 Dr revaluation reserve £6,970		
Group comprehensive income and expenditure statement – the other comprehensive income and expenditure relating to surplus / deficit on revaluation of non-current assets and re-measurements of net defined benefit liability had not been updated since the prior year – adjustments TBC				

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
			-	-
Other payables were overstated by £1.932m due to an accrual error. The Council accrued £2.527m for an estimated overpayment of Early Years Funding from DSG for 2024/25, based on estimated hours. After year end, the Department for Education confirmed the actual overpayment was £594k, resulting in an over-accrual of £1.932m.		Dr Other Payables £1,932 Cr DSG Adjustment Account £1,932	-	-
The council opted not to update the accounts as the error is immaterial.				

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	Misclassification or change identified	Adjusted?
Narrative Report	The narrative report required some updates to ensure it is in line with CIPFA code requirements and to improve the clarity of information within the narrative report.	TBC
Note 1a – Expenditure and Funding Analysis	The expenditure and funding analysis note has been amended so the first column agrees to the amounts reported in the Councils outturn report with an adjustment's column reporting adjustments required to get to the next chargeable to the general fund.	✓
Note 12 – Property Plant and equipment	To improve and the presentation of the Housing Revenue Account assets, the Council has amended Note 12 by splitting HRA assets column into two: Council Dwellings and HRA Other Land and Buildings. Council dwellings useful life updated to correctly reflect the range of years.	✓
Note 14 – Financial Instruments	Some minor wording and disclosure changes were made to the financial instruments note.	✓
Note 15 – Debtors	Misclassification of other receivables Our review identified that the trade receivables balance per the draft accounts had increased significantly compared to the prior year. Following inquiries with management, we confirmed that the increase was driven by a number of classification error within the receivables note, where wrong account codes were misclassified between trade receivables, other receivables, and Local Taxation receivables outstanding.	✓
Note 17 – Creditors	During testing (Sample 3), a receipt in advance of £1,000,113 was incorrectly classified as Trade and Other Payables in the draft accounts. The Council reviewed and confirmed the error was isolated, the misclassification is between liability categories. No impact on the overall net position.	✓

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	Misclassification or change identified	Adjusted?
Note 25 - Officer's Remuneration	<p>Employees whose gross remuneration > £50,000.</p> <p>During our testing, we identified that there was a difference in the number of employees in bandings £100,000 - £104,999 and £110,000 - £114,999. As per original disclosure, there was one employee in the banding £100,000 - £104,999 and four employees in £110,000 - £114,999. We observed that the count should be two and three respectively. The Council has updated the disclosure accordingly.</p>	✓
Note 29 - Dedicated Schools Grant	<p>Minor disclosure errors were noted in the DSG note within the draft accounts. A heading incorrectly referenced 2022/23 instead of 2023/24. The “Carry forward to 2025/26” figure was shown as zero, whereas it should reflect the in-year carry forward plus the prior year agreed carry forward (£49.745m). This error does not impact the overall DSG deficit position and is purely a disclosure issue.</p>	✓
Note 28 - External Audit Costs	<p>We identified two figures that should not have been disclosed:</p> <p>£19,000 under “Audit Fees for Charities”.</p> <p>£42,000 under “Fee payable in respect of Grant Claims” relating to Summer Audit for the HB Assurance Report.</p> <p>Paragraph 3.4.4.1 of the CIPFA Code 2024/25 requires this note to include only fees payable to the auditor appointed under the Local Audit and Accountability Act 2014. These fees do not meet that requirement.</p>	✓
Note 30 – Grant Income	Prior year comparatives added for miscellaneous grants	✓
Note 31 – related parties	Amounts paid to Tricuro Ltd updated from £0.183m to £19.381m for 2024/25	✓

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	Misclassification or change identified	Adjusted?
Note 32 – Capital expenditure and financing	The descriptors used for “revenue provision for repayment of borrowing” and “general fund receipt set aside to repay borrowing” updated to “minimum revenue provision” and “voluntary revenue provision” to improve the clarity of the note.	✓
Note 33 - Council as Lessor	During our review of Note 33 (Council as Lessor), we noted that the disclosure was incorrect and the figures did not agree to the supporting evidence. Out of 9 samples tested, 7 failed and 2 passed. The errors were caused by incorrect agreed lease amounts being used in preparing the note. The Council has agreed to reproduce Note 33 using accurate lease and is currently reworking the note.	TBC
Note 35 – defined benefit pension schemes	Disclosures notes have been updated to reflect the adjustment due to the application of the asset ceiling including an additional asset ceiling movement table. Wording adding in respect of the Virgin Media court of appeal judgement	✓
Housing Revenue Account - Note 2	Depreciation charges in Housing Revenue Account Note 2 were incorrectly disclosed under “Development Land” column instead of “Plant and Equipment” in the draft Statement of Accounts.	✓
Group Accounts – Note 5 Heritage assets	Table disclosing the carrying value of heritage assets updated to remove revaluation of £7.750m and replace with correct value of £0.610m. Total balance as at 31 March changed from £54.336m to £47.376m.	
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.	✓

Action plan

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

Assessment	Issue and risk	Recommendations
● High	<p>A number of recommendations have been made in respect of our IT Audit undertaken in 2024/25.</p> <p>A separate, detailed IT Audit report has been provided to management where we have made a number of recommendations for management to implement.</p>	<p>The Council should ensure recommendations made in respect of IT findings are followed up in 2025/26.</p> <p>Management response</p> <p>A full detailed response has been given to the IT audit for 2024/25. The high risk is specifically in relation to D365 and we acknowledge the findings and have already taken steps to improve access governance, including the reallocation of F&O licenses. We will be looking to implement enhanced oversight for privileged access and introducing periodic user access reviews, alongside a cross-functional process with People and Culture, Finance and IT & Programmes to ensure timely revocation of F&O accounts and licences for leavers.</p>
● High	<p>The council has a significant number of nil net book value assets on its fixed asset register.</p> <p>There is a risk that these may be overstating gross values and accumulated depreciation if they are no longer in use.</p>	<p>The Council should continue its review of nil net book values to ensure this is complete prior to the 2025/26 closedown of the fixed asset register.</p> <p>Management response</p> <p>A review has already been carried out in anticipation for the 2025/26 closedown and where assets are no longer in use they will be removed from the asset register.</p>

Key

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

Action plan

Assessment	Issue and risk	Recommendations
● Medium	<p>In our review the fixed asset register we identified</p> <ul style="list-style-type: none"> • 1 asset disposed of in 2024/25 which should have been disposed of in a prior year. • 2 assets within assets under construction which were completed and operational in year. <p>There is a risk that the fixed assets register is not accurately reporting the in year movements.</p>	<p>The Council should review its processes for ensuring the fixed asset register is fully up to date including disposals and assets under construction becoming operational are communicated and picked up by the capital team to ensure there are processed in a timely manner.</p>
● Medium	<p>The Council is required, under Section 26 of the Local Audit and Accountability Act 2014, to allow interested persons to inspect the accounting records for the financial year to which the audit relates.</p>	<p>The Council should ensure it has a clear process in place, and allocated resource, in order to respond to interested persons requests during the inspection period in a timely manner.</p>
● Low	<p>Two instances of Long term debtors were identified which are not being monitored to ensure accuracy of the balance owed and recoverability of these.</p> <p>A provision was made against debtor balances where management were unable to trace to the specific debts it related to.</p>	<p>We recommend management review its process for monitoring of historical long term debtors and review legacy debtor provisions to ensure these are appropriate and supportable.</p>
		<p>Management response</p>
		<p>A review of long term debtors and provision has already been carried to ensure they are appropriate for 2025/26 year end position.</p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2023/24 financial statements, which resulted in recommendations being reported in our 2023/24 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	<p>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.</p>	<p>We have seen improvements in 2024/25 in the Council's timeliness to respond to queries and have more resource available to support the audit process.</p> <p>We will continue to work with the Council in 2025/26 to work towards improving the audit process further, in advance of the backstop being moved forward to end of November in 2026/27.</p>
In progress	<p>In relation to property, plant and equipment we recommend:</p> <ul style="list-style-type: none"> 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. 	<p>We noted improvements in the PPE supporting working papers and the information provided and used by the valuer.</p> <p>Although the Council has undertaken a review of £nil book assets, there is still a significant amount of these on the Council's fixed asset register. Therefore, we have made a recommendation in the current year action plan in respect of this.</p> <p>We also identified assets within asset under construction that were operational in the year and therefore should have been moved to property, plant and equipment. Therefore, we have made a recommendation in the current year action plan in respect of this.</p>

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	<p>Six recommendations 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.</p>	<p>Our IT review in 2025/26 followed up on the actions identified in the prior year audits. A number of these had not been actioned, therefore we have made a recommendation in the current year action plan in respect of this.</p>

Value for Money arrangements

Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR will be reported to you on November 27 Audit and Governance committee.

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



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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

In undertaking this work we have identified any significant weaknesses in arrangements. Please see next side for summary of findings and the Annual Auditors Report for 2024/25 for the detailed findings.

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Three significant weaknesses in arrangements identified, one retained from 2022/23 and two identified in 2023/24. One improvement recommendation retained from 2022/23.	R Three risks of significant weakness identified in relation to: DSG deficit, cashflow and the level of reserves.	R We have reviewed the previous significant weaknesses and key recommendations and updated our assessment and concluded that, as the weaknesses are all founded on the increasing DSG deficit, its impact on cashflow and the lack of reserves to manage this deficit, it was more appropriate to combine these into a single significant weakness and key recommendation.
Governance	A No significant weaknesses identified; three improvement recommendations, two retained from 2022/23 and one raised in 2023/24.	A No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but four improvement recommendations made to support the Council in improving arrangements for treasury management, officer complaints, lessons learnt reporting and Council-owned companies.
Improving economy, efficiency and effectiveness	R Two significant weakness in arrangements identified, one key recommendations raised in 2023/24 and one key recommendation retained from 2022/23.	R Two risks of significant weakness identified in relation to: statutory direction on the Council's SEND service and the 'inadequate' rating for children's services from Ofsted.	R One significant weaknesses in arrangements remains for the statutory direction in relation to SEND (special education needs and disabilities) service and a key recommendation made. The Council has significantly improved its Ofsted rating to 'Good', so our previous key recommendation has been addressed.

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendation(s) made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

In 2024/25, the Council delivered a £1.2m revenue underspend. The capital budget was reduced in-year to £110m from £148m with final spend of £90.7m (82%). The Council has set a balanced budget for 2025/26. The Medium-Term Financial Plan (MTFP) has been regularly reviewed and reported to Cabinet in 2024/25 and into 2025/26. The financial risks faced by the Council have also been clearly communicated to members.

The Council remains under significant financial pressure and is not financially sustainable. Its Dedicated Schools Grant (DSG) cumulative deficit continued to significantly increase in 2024/25 to £113.3m and is expected to be £180m at the end of 2025/26. Whilst usable reserve levels have increased to £87m (earmarked and unearmarked reserves) they remain considerably below the cumulative DSG deficit. The DSG deficit also continues to have a negative impact on the Council's cashflow position. The cost of this is estimated to be £4.7m in 2024/25 and £7.5m in 2025/26. The Council has negotiated a temporary solution with the Government and can borrow short term within its Treasury Management powers above its Capital Finance Requirements. We have identified these issues as a significant weakness and have raised a key recommendation, which has been accepted by Management, see pages 19 and 20.



Governance

The Council had arrangements in place to identify and manage risks. Budget setting and monitoring arrangements were appropriate. Treasury management reporting could be enhanced by including comparisons to previous periods on the level of short-term borrowing, and we raise an improvement recommendation on page 25. In September 2024 the non-statutory Best Value Notice was lifted following completion of the required actions.

In 2024/25 we established that the Council had a range of policies, codes of conduct and a protocol for councillor/officer relations in place. We raise an improvement recommendation to expand the Constitution to ensure it is consistent with the Joint Negotiating Committee's guidance, and for the Council to strengthen its governance of Council-owned companies. See pages 26 and 27.

The Council's Audit and Governance Committee has scoped and commissioned a lessons learnt review of BCP Future Places Ltd. An initial report has been issued, but a full report with recommendations has not been issued. We recommend the Council should develop an action plan in response to this review, once Internal Audit have completed their investigations.

The Council's latest Procurement and Contract Management Strategy was approved by Cabinet in September 2024 and included the requirements of the 2023 Procurement Act.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Improving economy, efficiency and effectiveness

In 2024/25, corporate performance was reported quarterly to Cabinet. Performance metrics were RAG-rated and under performance required Exception Performance Reports to be provided.

In December 2024, the Council received a 'Good' Ofsted rating following an inspection of its Children's Services. This is a great improvement and demonstrates strong commitment by the Council to address previously identified weaknesses and improve the assessment by two gradings from the previous rating of 'inadequate'. Our previous assessment of a significant weakness in arrangements is therefore no longer in place.

In 2023/24 the Council was issued with a statutory direction in relation to its SEND (special education needs and disabilities) services. Whilst there is evidence that the Council has made some progress in addressing the statutory direction, further progress is required to remove this statutory direction. There are several unfinished actions, one action has not yet been started and performance against the Improvement Plan remains inconsistent. Consequently, the significant weakness and key recommendation in relation to this remains in place, see page 32.

The Council had adequate arrangements for procurement and commissioning activity although, the Council recognise its contract monitoring arrangements could be improved further. Improvements identified will be addressed through its delivery plan supporting the Procurement and Contract Management Strategy and we do not consider the need to raise an improvement recommendation.



Independence considerations

Independence considerations

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

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council or group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or 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 Council or group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We are aware of local taxation charges paid by Grant Thornton to the Council as a result of the firm having an office located in Bristol. We do not consider that this gives rise to a business relationship between the firm and the Council as the firm has no choice but to pay local taxes. Therefore, we do not consider this to give rise to an independence issue.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council/group, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person 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

Fees and non-audit services

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

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

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Bournemouth, Christchurch and Poole Council. The table summarises all non-audit services which were identified.

Audit fees	£
Bournemouth, Christchurch and Poole Audit (Scale Fee)	469,068
Use of Auditors Expert (property valuations)	7,500
IFRS 16	12,000
ISA 600	10,000
Additional fee in respect of new system implementation	TBC
Additional fee in respect of Housing Benefit expenditure testing	TBC
Total	TBC

Fees and non-audit services

Audit-related non-audit services

Service	2023/24		2024/25	
	£	£	Threats Identified	Safeguards applied
Certification of Teacher's Pension Return	12,500 (10,000 2022/23)	12,500* (because this is a recurring fee)	Self-Interest Self-review (because GT provides audit services) Management	<p>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 £12,500 in comparison to the scale 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.</p> <p>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.</p>
Certification of Housing Capital Receipts Grant	10,000 (10,000 2022/23)	10,000* (because this is a recurring fee)	Self-Interest Self-review (because GT provides audit services) Management	<p>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 scale 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.</p> <p>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.</p>

*Proposed fee

Fees and non-audit services

Audit-related non-audit services

Service	2023/24	2024/25	£ Threats Identified Safeguards applied	
			£	Threats Identified
Certification of Housing Benefits Subsidy claim	0 49,000 (2022/23)	0	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management	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 scale 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. 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. Note that Grant Thornton UK LPP were not engaged to undertake this work in either 2023/24 or 2024/25.

Fees and non-audit services

Total audit and non-audit fee

(Audit fee 2024/25)	498,568	(Non-audit fee 2024/25)	22,500
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The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

Fees per financial statements:

- Audit Fee £0.499m – this reconciles to audit fee set out on page 55.
- Additional fees in respect of prior year audits £0.079m – this relates to prior year additional fees relating to the statutory audit agreed in year and not 2024/25 additional fees therefore not included in tables above.
- Grant Claim Fees £0.023m – this is 2024/25 teachers pension and housing capital receipts grant audits and reconciles to page 56.

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

Appendices

A. Communication of audit matters with those charged with governance

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

A. Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Our team and communications

Grant Thornton core team

Barrie Morris

Engagement Lead/
Key Audit Partner

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

Katie Whybray

Senior Manager

- Audit team supervision
- Leading on the running of the audit

Adams Azubilla

Audit Senior / In-charge

- Day-to-day point of contact
- Audit fieldwork

Ginette Beal

VFM Specialist

- VFM specialist
- Main contact for VFM reporting

Service delivery

Formal
communications

- Annual client service review

Informal
communications

- Open channel for discussion

Audit reporting

- The Audit Plan
- The Audit Findings Report
- Audit Opinion
- Auditor Annual Report
- Progress and Sector Updated Reports

Audit progress

- Audit planning meetings
- Audit clearance meetings
- Communication of issues log

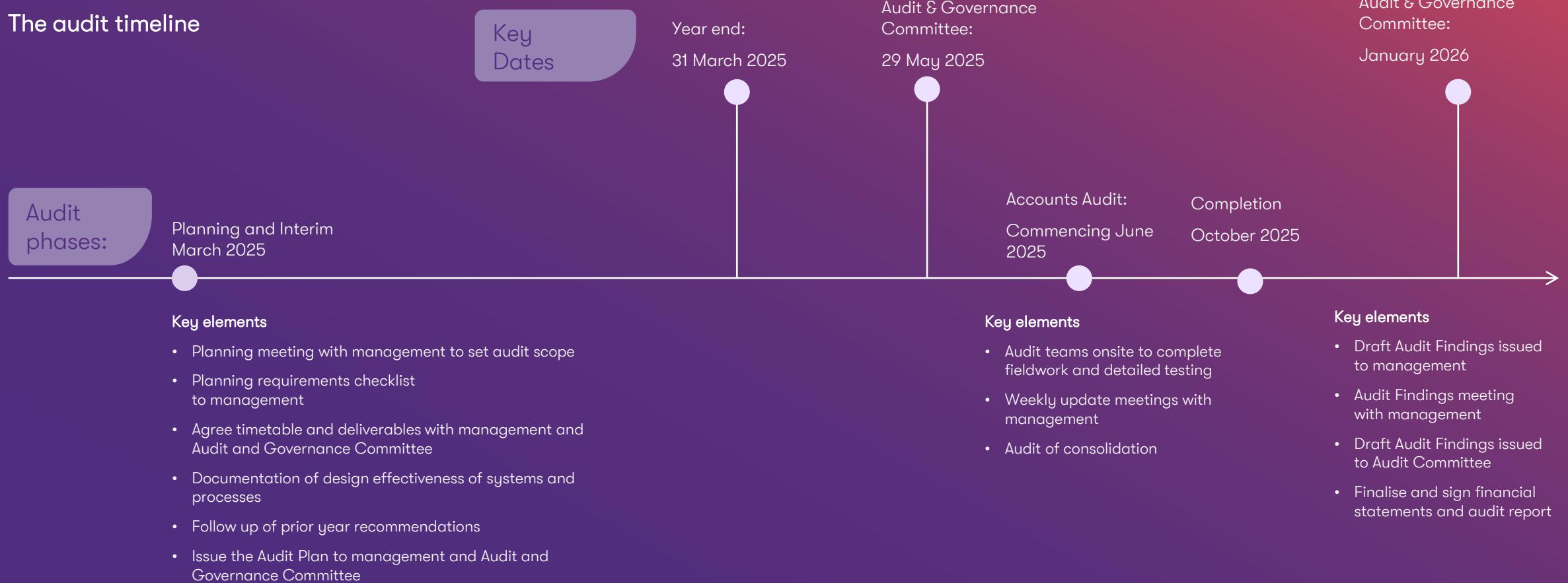
Technical support

- Technical updates
- Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C. Logistics

The audit timeline





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