

Audit Findings (ISA 260) Report for Exeter City Council

Year ended 31 March 2025

3 February 2026

Exeter City Council

Civic Centre

Paris Street

Exeter

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3 February 2026

Dear Members of the Audit & Governance Committee

Audit Findings for Exeter City Council for the year ended 31 March 2025

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

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

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

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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.

Grace Hawkins

Director
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 Exeter City Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

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

- the Authority's financial statements give a true and fair view of the financial position of the Authority and 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), Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during September 2025 – January 2026 as planned. Our findings are summarised on pages 14 to 30. Two adjustments to the financial statements have been identified that have resulted in a £15.7m adjustment to the Authority's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Authority's usable reserves.

Audit adjustments are detailed on pages 36-38. We have also raised recommendations for management as a result of our audit work. These are set out on pages 39-42. Our follow up of recommendations from the prior year's audit are detailed on pages 43-45.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements. The following item is still outstanding

- Final quality review by audit manager and engagement lead,
- Receipt and review of final set of adjusted accounts, and
- Receipt and review of signed management representation letter.

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

Our financial statements audit report opinion is unmodified. We will provide the final audit opinion following the approval of your accounts by the Audit & Governance Committee.

Headlines

Value for money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the November 2025 Audit & Governance Committee. We identified a significant weaknesses in the Authority's arrangements for Governance and Improving economy, efficiency and effectiveness and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 46).

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 cannot formally conclude the audit and issue an audit certificate for Exeter City Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- we have completed our consideration of objections brought to our attention by local authority electors under section 27 of the Local Audit and Accountability Act 2014.
- we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025.

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

Significant matters

As reported at previous Audit & Governance Committees the draft financial statements were published after the statutory publication date due to issues identified within the property, plant & equipment valuations. We encountered further delays at the beginning of the audit due to limited capacity within the finance team which resulted in some samples being issued late in the process. We have subsequently completed this work and remain in communication with management as to how these delays can be avoided in future audits.

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

Headlines

National context – audit backlog

Government proposals around the backstop

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

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

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

Headlines

Implementation of IFRS 16

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

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

Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

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

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

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

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

Impact on the Authority

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

- the adjustment made by management for leases now recognised on the balance sheet which we noted was not material;
- whether accounting policies and disclosures reflect management’s application of judgement, estimation and assumptions and the processes followed;
- related internal controls that required updating, if not fully revisiting, to reflect changes in accounting policies and processes;
- systems to capture the process and maintain new lease data and for maintaining this on an ongoing basis to keep information up to date;
- accounting for what assets have been identified as operating leases; and
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate.
- Review the calculations made by management for accuracy and whether these are in line with the requirements under IFRS16

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 15 July 2025, we determined materiality at the planning stage as £2.83m based on 2.5% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. Materiality has been updated to £3.54m as there has been a significant increase of £28.4m in gross expenditure.

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

Basis for our determination of materiality

- We have determined materiality at £3.54m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as prior year errors and misstatements and any significant deficiencies identified at planning.
- We have used 2.5% of gross expenditure as the basis for determining materiality.
- We have chosen gross expenditure as an appropriate benchmark as cost of services is the key driver for the Council and other comprehensive income items are generally non-cash items which are not connected to the running of the organisation.
- Our percentage benchmark has increased from 2% in 2023-24 to 2.5% in 2024-25
- We have determined performance materiality at £2.655m, this is based on 75% of headline materiality. We have revised the performance materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

Specific materiality

- We have set a lower materiality for individual senior officer remuneration disclosures of £10k, on the basis of the sensitivity to public interest and the reader of the accounts.

Reporting threshold

- We will report to you all misstatements identified in excess of £177k, in addition to any matters considered to be qualitatively material.

Our approach to materiality

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

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	3,540,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year and monitors spend against this; Therefore, gross expenditure was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 2.5% was an appropriate rate to apply to the expenditure benchmark as we have not identified material adjustments in prior years or a large number of other issues and recommendations.
Performance materiality	2,655,000	Our performance materiality has been set as 75% of our overall materiality. We are satisfied that 75% is appropriate as we have not identified misstatements or a large number of issues in prior year's financial statements. We do not consider that there is evidence of systemic weaknesses in processes which would potentially give rise to misstatements.
Specific materiality for Senior Officer remuneration disclosures (Authority only)	10,000	Senior Officer Remuneration is considered sensitive and of particular interest to the reader of the accounts.
Reporting threshold	177,000	Calculated as a percentage of headline materiality and in accordance with auditing standards

Overview of significant and other risks identified

Overview of audit risks

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

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

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

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

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

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

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>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;used Inflo, our data analysis software, to undertake a number of checks on the data, such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted, we followed these up with management and obtained sufficient explanations and corroboration for the reasons provided;tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration;reviewed manual journals, within Inflo, to identify those deemed to be high risk to be selected for testing. We selected and shared our sample with management for them to provide us with evidence to support the entries. We completed our testing upon receipt of this supporting documentation;gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness; andevaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions	<p>Our testing identified the following:</p> <ul style="list-style-type: none">there are three super users, with a finance function, who have the ability to add and remove staff from the general ledger which gives a wider scope for manipulation of data. It is audit opinion that no members of finance should have superuser access and that this task should be carried out by the IT function. We realise that with smaller teams, and the operational need of the Council that this may not be possible and it is, therefore, a risk that management choose to permit. We undertook specific focussed testing in this area as part of our journals testing and did not identify any inappropriate journal entries. We have raised a recommendation in respect of thisUsers can post and authorise their own journals if the value is below £5k. The absence of authorisation for journals below £5k represents a weakness in internal controls. Effective internal controls are essential to prevent and detect errors or fraud. Without proper authorisation, there is a higher risk that inappropriate or fraudulent transactions could be processed without detection. Journals that are not authorised may lead to misstatements in the financial records. This could result in inaccurate financial reporting, which can mislead stakeholders and affect decision-making.

Significant risks

Risk identified	Audit procedures performed	Key observations
Improper revenue recognition	<p>Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue.</p> <p>We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams.</p> <p>Where we have rebutted the risk of fraud in revenue recognition for revenue streams this is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.</p>	We have not identified any material adjustments or findings in relation to improper revenue recognition.
Risk of fraud related to expenditure recognition PAF Practice Note 10	<p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p> <p>We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk for the Council. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p>	We have not identified any material adjustments or findings in relation to risk of fraud related to expenditure recognition.

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of land and buildings (Including Council Dwellings) (rolling revaluation)</p> <p>The Council revalues 20% of assets per annum and the top four highest value assets each year. 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>The Council's portfolio of Council Dwellings is revalued five-yearly, with an indexation exercise applied in intervening years in accordance with the "Beacon" methodology.</p> <p>Management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings (including Council Dwellings) as a significant risk.</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 valuation experts and the scope of their work;evaluated the competence, capabilities and objectivity of the valuation experts;written to the valuers to confirm the basis on which the valuations were carried out;reviewed the fixed asset register and valuation reports to identify a sample of land and buildings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2025 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation;for each item within our sample, we have requested detailed calculation sheets for the 2025 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations.identified and shared our sample of other land and building assets and have been provided with evidence as to how these values have been calculated; andreviewed those assets not revalued in year to ensure there is not a material variance between the market value and the carrying value.	<p>Our work identified that Council policies state assets are valued on five year rolling basis but that this relates to those assets subject to a full valuation. All assets not subject to full revaluation are subject to a desktop review and are included within the signed valuer's report. Any significant movement in these assets is reflected in the financial statements therefore it is our opinion that all assets are revalued on an annual basis.</p> <p>We identified the following issues from our testing:</p> <ul style="list-style-type: none">Reconciliation of the FAR identified that IFRS16 transactions were incorrectly included as additions rather than an adjustment to the brought forward balances. We also identified £715k of assets under construction had been incorrectly included in reclassifications when they should have been classified as disposals.Testing of St Sidwell's Point Leisure centre identified the following:<ul style="list-style-type: none">An incorrect gross internal area (GIA) had been used for the calculationAn incorrect land area of 3.26 acres had been used when the actual area is 0.77 acresUpon review of the calculation, in response to the land area issue management identified that the valuer had used a median BCIS rate to calculate the value. Management challenged the valuer, given the Passivhaus status of the asset, and this resulted in a change of the BCIS rate used and a revaluation of the assetAs a result of the issues identified above a revaluation was undertaken which resulted in the valuation changing from £28.6m to £40.6m an upward adjustment of £12m in the balance sheetFor one asset, management were unable to provide supporting documentation for measurements and so we relied on prior year information to gain assurance over the asset value.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings (Including Council Dwellings) (rolling revaluation)	Continued	<ul style="list-style-type: none"> One asset had used the incorrect land acre which led to an incorrect apportionment of land and building. However, this did not impact on the asset valuation For one asset tested we identified the following: <ul style="list-style-type: none"> management were unable to provide sufficient evidence to support the GIA used in the calculation. We have been able to undertake alternative procedures to gain assurance over the value. Testing identified that management had omitted land value from the overall valuation Although we have identified the above issue the variance is trivial and therefore no adjustment is required. However, we have raised a control recommendation on page 41. <p>Council dwellings represent a significant proportion (£301m) of the Council's asset base and in accordance with the CIPFA code, these assets are valued in line with the 'Stock valuation resource accounting 2016: guidance for valuers' which has been provided by Central Government. We have reviewed the Council's approach to valuing these assets and, alongside those actions identified above, we have:</p> <ul style="list-style-type: none"> reviewed the classification of beacon properties to ensure that these have been assigned in line with the stock valuation resource accounting guidance and that properties have been assigned to the appropriate beacon categories; reviewed the fixed asset register and valuation reports to identify a sample of Council Dwellings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2025 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation; and for sample testing we have compared beacon valuations with similar properties to ensure that valuations are in line with market conditions, and where variances outside of our parameters are identified we have requested further information and support from management and the valuer. <p>Our testing identified the following:</p> <ul style="list-style-type: none"> There are two assets without a beacon allocation in 24/25 and these are the same assets as identified in the prior year. The external valuer states previous values were adopted in line with Council's instructions without further consideration or documentation on why they deem the value is still applicable for this year. The Council did not also document the rationale of keeping the values the same for the two properties.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of investment property	<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 valuation experts;written to the valuers to confirm the basis on which the valuations were carried out;reviewed the fixed asset register and valuation reports to identify a sample of investment properties which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2025 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation; andfor each item within our sample we have requested detailed calculation sheets for the 2025 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations.	<p>Testing identified the following issue:</p> <ul style="list-style-type: none">Testing requires agreement back to lease agreements as source documentation. For one asset management were unable to provide a lease agreement and for one asset the most recent lease agreement was not available. We have undertaken alternative procedures to gain assurance over the values and have raised a recommendation on page 40. <p>We have not identified any further issues within our testing</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of net pension liability.</p> <p>The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£16 million liability in the Council's balance sheet at 31/03/25) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none">updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls. No issues were identified from completion of this;evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;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; andobtained assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.	<p>Our testing identified the following:</p> <ul style="list-style-type: none">We rely on assurance provided by the pension fund auditor over asset and liability balances included in the actuarial report. This identified that both level 2 and level 3 investments have been understated by £16.3m and £37.52m respectively in the pension fund accounts. The Council's share of these assets is 2.82% and therefore the potential impact on the Council's accounts is a £1.451m understatement which is not material. As this is an immaterial estimation variance and not an error it is not an unadjusted misstatement. <p>Our testing has not identified any further issues.</p>

Other risks

Risk identified	Audit procedures performed	Key observations
<p>Remeasurement of leases and right of use assets as at 1 April 2024 following the implementation of IFRS16</p> <p>In line with the Code of Audit Practice for Local Authority Accounting in the UK, Exeter City Council is required to adopt IFRS 16 Leases.</p> <p>Under IFRS 16, a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in the significant changes to the accounting for leases assets and the associated disclosures in the financial statements in the year ended 31 March 2025.</p>	<p>We have:</p> <ul style="list-style-type: none">evaluated the reasonableness and appropriateness of the inputs and assumptions used, especially the discount rate applied in determining the lease liability.agreed on a sample basis, the accuracy of the data used by tracing them to the original contracts,checked the mathematical accuracy of the calculations undertaken by management to determine the amounts to be recognised in the Statement of Financial Position.assessed the completeness of disclosures within the financial statements in accordance with the applicable standards.	<p>Testing identified the following:</p> <ul style="list-style-type: none">The Code requires that if lease liabilities are not separately identified in the balance sheet and, if they are not, the lessee should disclose which line items in the balance sheet include the liabilities. There was no indication in the draft financial statements as to where the lease liabilities had been disclosed and, therefore, the Code has not been complied with.The Code requires that the impact of revalued assets is reflected in the opening balances as the impact is at 1 April 2024. We noted that these had been incorrectly included within the additions note rather than balances brought forward <p>No other issues have been identified from our testing.</p>

Other findings

Other areas impacting the audit

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

Issue	Commentary	Auditor view	Management response
Retention of supporting documentation Throughout the audit we are required to agree disclosures in the financial statements to appropriate audit evidence. It is for management to retain suitable documentation to support the audit work and our testing in 2024-25 identified issues in the following areas: <ul style="list-style-type: none">• Leases• Revenue Grant Income• Asset valuation We have been able to undertake alternative procedures to gain assurance over these balances where relevant	Whilst the current year impact is trivial there is scope for a material misstatement to be incurred management are unable to support the disclosures within the financial statements	Whilst there is no material misstatement in the financial statements management should ensure that as part of the financial statements close process more robust processes are in place to ensure that documentation is retained to support disclosures	Leases – This has been reviewed and addressed for the Y/E 2025/2026 GIA – This issue was raised during the Audit process for Y/E 2024/2025. The Commercial Assets Team then sought a CAD licence immediately when the concerns were raised about verifying the floor areas. Therefore, this has been addressed for Y/E 2025/2026.

Other areas impacting the audit

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

Issue	Commentary	Auditor view	Management response			
Useful Economic Lives (UEL)	<p>We have identified the following issues in relation to UEL</p> <ul style="list-style-type: none">• We identified 10 assets without a UEL on the FAR. These assets have been newly added to the FAR in 24/25 as they are additions. In the first year, no depreciation is applied based on the policy, but we recommend for the Council to ensure that all assets have a UEL to avoid omission of depreciation in the following year.• We identified 9 assets included in the FAR which were disposed in 23/24. There was no impact on the NBV as they had nil NBV, but we recommend for the Council to review the FAR thoroughly to ensure that the assets that no longer exist is removed.• Infrastructure Assets UEL Policy - We deem the current policy does not materially misstate the depreciation as it is largely in line with the CIPFA guidance on UEL for infrastructure assets and the asset base is relatively low for the Council but we recommend for the Council to consider UEL for each category of IA instead of an overarching life of 20 years across all assets for a more accurate estimate of the depreciation.	<p>The issues identified have been identified in prior years. There is a trivial impact on the financial statements.</p>	<p>We recommend that management review the fixed asset register and the UEL policies to assess the appropriateness of these. Whilst there is no material impact on the financial statements and it is unlikely that these issues would, there is a potential material impact on the disclosure notes and specifically the PPE note that is under the scope of the audit.</p>	<p>The UEL for the 10 assets added to the asset register in 24/25 have now been added and included within the 25/26 depreciation calculations, we will include this information at the same time as the additions in future.</p>	<p>A review will be sent to services on an annual basis to confirm the continued existence of assets and the FAR adjusted accordingly.</p>	<p>We will consider creating sub-categories for different types of assets and their UEL's and implement if required although this will not have a material impact on the accounts.</p>

Other findings – key judgements and estimates

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

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £175.3m (adjusted) at 31 March 2025	<p>Other land and buildings is comprised of specialised assets such as leisure centres, which are required to be valued at depreciated cost (DRC) at year end, reflecting the modern equivalent asset necessary to deliver the same service provision. The remainder of land and buildings that are not specialised in nature are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council undertakes a full revaluation of its land and buildings on a rolling programme with a maximum period of five years between revaluations. This is a mixture of full revaluations and a desktop exercise using indices which covers 100% of assets.</p> <p>The total year end adjusted valuation of land and buildings was £175.3m, a net increase of £5.9m from 2023/24 (£169.4m)</p>	<p>We have assessed:</p> <ul style="list-style-type: none">the competence and experience of the Council's in-house and external valuers;the completeness and accuracy of the underlying information used to determine the estimate;the adequacy of the disclosure of the estimate in the financial statements; andthe consistency of the estimate against market data. <p>We have identified a number of issues from our testing of Land and Buildings including:</p> <ul style="list-style-type: none">An incorrect BCIS rate usedIncorrect land areas usedDocumentation not retained to support assumptions <p>These have resulted in a material adjustment of £15.7m</p> <p>As such, all assets revalued in the year have been given a certified valuation at 31 March 2025. We have included all assets in our work and this has concluded that land and building assets are not materially misstated in the balance sheet.</p>	<p>● Red</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of council dwellings £301m at 31 March 2025	The Council owns 4,784 dwellings (including 13 shared ownership) and is required to revalue these properties using an EUV-SH measurement to meet the requirements of the Code. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Bruton Knowles to complete the valuation of these properties. The year end valuation of Council Dwellings was £300.8m, a net increase of £0.3m from 2023/24 (£300.5m).	<p>We have:</p> <ul style="list-style-type: none">assessed the Council's valuer to be competent, capable and objective;carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report;confirmed that the valuation method remains consistent with the prior year;selected a sample testing of beacon properties to test the reasonableness of the beacon applied and no issues have been identified;undertaken a review of the values of a sample of beacon properties against market evidence to confirm that the valuation appears to be appropriate; andagreed the HRA valuation report to the Statement of Accounts. <p>No issues have been noted.</p>	 Green

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of investment property £86.8m at 31 March 2025</p>	<p>The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date</p> <p>The Council's commercial investment portfolio consists of a mixture of assets comprising both industrial and commercial usage.</p> <p>The Council has engaged Bruton Knowles, as an external expert, to complete the 2024/25 valuation of these investment properties.</p> <p>The total year end valuation of investment properties was £86.8m, a net increase of £15.3m from 2023/24 (£71.5m).</p>	<p>We have reviewed the detail of your assessment of the estimate considering:</p> <ul style="list-style-type: none">our assessment of the Council's internal valuers and management's expert Bruton Knowles;the completeness and accuracy of the underlying information used to determine the estimate;the reasonableness of the overall increase in the estimate of £15.3m. Work undertaken has identified that this is due to market conditions and no specific factor impacting either a specific class or individual asset. We also consider the change in valuer has impacted the valuations but no issues have been identified within their methodology; andthe adequacy of the disclosure of the estimate in the financial statements. <p>Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. Management have been able to provide appropriate audit evidence to support these underlying assumptions with the exception of two assets for which alternative procedures have been completed.</p> <p>Our work requires that we review and gain assurance over the assumptions and any indices used and our work has not identified any issues outside of those identified on page 12.</p>	 Green

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability/asset £16m at 31 March 2025	<p>The Council's net pension liability as 31 March 2025 is £16m (PY £17m) comprising the Local Government and unfunded defined benefit pension scheme obligations.</p> <p>The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes.</p> <p>A full actuarial valuation is required every three years and the latest full actuarial valuation was completed in 2022. A roll forward approach is used in the intervening periods, which utilises key assumptions such as a life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pensions fund liability small changes in assumptions can result in significant valuation movements.</p> <p>There has been an decrease of £1m in the net actuarial deficit during 2024/25.</p>	<p>We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place.</p> <p>We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made:</p>	 Green

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.80%	5.60% - 5.95%	Reasonable
Pension increase rate	3.20%	3.05% - 3.35%	Reasonable
Salary growth	3.90%	CPI (2.90%) + 1	Reasonable
Life expectancy – Males currently aged 45/65	22.7 / 21.4	20.6 – 23.1 / 19.2 – 21.8	Reasonable
Life expectancy – Females currently aged 45/65	24.1 / 22.7	24.1 – 25.7 / 22.7 – 24.3	Reasonable

We have confirmed the consistency of the pension fund assets, liabilities and disclosures in the notes to the financial statements with the actuarial reports.

We have gained assurance over the reasonableness of the Council's share of the LGPS pension assets.

We have received and reviewed the IAS19 assurance from the pension fund auditor over member numbers and did not identify any further issues other than those reported on pg 21.

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision £2.505m in 2024/25	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance</p> <p>The year end MRP charge was £2,505k, a net increase of £49k from 2023/24</p> <p>The Council's minimum revenue policy sets out the Council's approach to reclaim prior year voluntary revenue provision. The Council made voluntary payments totalling £5.6m from 2013/14 to 2018/19 and are offsetting these over a number of years to smooth the required MRP.</p>	<p>We consider that the approach taken by the Council to reclaim prior year voluntary payments is reasonable and in line with guidance.</p> <p>Our work has identified an undercharge of MRP on Solar and Energy Assets. An undercharge has been identified because it was identified that the MRP policy of 50 years did not seem appropriate for Solar and Energy Assets where the UEL is lower, at around 20 years. The undercharge per year is £64k and the accumulated undercharge from 2019/20 to 2024/25 is £323k. We have raised a recommendation, and no other issues have been identified in this area.</p> <p>New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies 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.</p>	 Amber

Other findings – Information Technology

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

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
E-Financials	ITGC assessment (design and implementation effectiveness only)	Amber	Amber	Green	Green	Management override of controls

Assessment:

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

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 & Governance Committee and we have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council and is included in the Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. We have received all the responses. We requested from management permission to send confirmation requests to the Pension Fund Auditor. This permission was granted and the requests were sent. This confirmation has also been provided.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements and identified the following issues: <ul style="list-style-type: none">The revaluation policy states that 20% of assets are revalued on a rolling basis alongside the four highest value assets which are revalued annually. Review identified that all assets in the year are subject to review and a desktop analysis is undertaken for those assets not fully revalued in the year. The valuers report covers all assets and, therefore, it is our view that all assets are valued in the year and the policy should be amended to reflect this.Expected Credit loss has been included within critical judgements. It is audit opinion that this is not a critical judgement and should be classed as estimation in line with the requirements of the Code.We have reviewed financial instrument disclosures and identified the following issue:<ul style="list-style-type: none">Several items have been categorised as level 3 in the fair value hierarchy which, as per the Code, are those balances that use unobservable inputs. Management have classed debtors and creditors as level 3 whereas audit opinion is that, as these are based on documentation, such as invoices, there are observable inputs and therefore these should be categorised as level 1 or 2. Categorisation at level 3 could lead to misinterpretation of the financial statements.
Audit evidence and explanations	All information and explanations requested from management was provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the audit.

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 Council 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 Council and the environment in which it operates;• the Council's financial reporting framework;• the Council's system of internal control for identifying events or conditions relevant to going concern; and• management's going concern assessment. <p>Our work is complete and we have obtained 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; and• 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>No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.</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 [a] significant weakness/es. <p>With the exception of the VFM significant weaknesses, reported to the November Committee meeting, we have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that detailed work is not required as the Council does not exceed the threshold, however the NAO have requested that nationally all audit certificates for 2024/25 are held until their work has been completed.</p>
Certification of the closure of the audit	<p>We cannot formally conclude the audit and issue an audit certificate for Exeter City Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:</p> <p>we have completed our consideration of objections brought to our attention by local authority electors under section 27 of the Local Audit and Accountability Act 2014.</p> <p>we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025.</p>
	<p>We are satisfied that this work does not have a material effect on the financial statements 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	
	£'000		£'000	Impact on general fund
Testing of St Sidwell's Point Leisure Centre identified a number of issues with the valuers assumptions that resulted in management re-engaging the valuers to provide a more accurate valuation. (see pg 21)	Cost of Services (10,764) Surplus or deficit on revaluation (1,237)	12,001	(9,958) (2,043)	12,001
The valuer had originally valued the bus station on an investment basis. Management challenged this basis and the valuer agreed to revalue the asset on a depreciated replacement cost (DRC) basis, in line with the code. This has led to a material adjustment to the financial statements (see pg 21)	Cost of Services (2,929) Surplus or deficit on revaluation (807)	3,736	(3,736)	3,736
Overall impact	(15,737)	15,737	(15,737)	15,737

Impact of unadjusted misstatements

There are no unadjusted misstatements in 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 15	IFRS 16 transition transactions have been incorrectly included in the additions balance when these should be included in the balances brought forward.	✓
Note 15	£715k AUC write offs has been incorrectly disclosed in the 'Reclassification - AUC' line and it will be moved to the Disposals line to appropriately reflect the write offs. The net impact is nil as it is moving from one line to another within the disclosure.	✓
Note 9	We have identified a variance of £1,522k in expenditure and -£1,522k in income between the CIES and Note 9. This is related to a pension adjustment of £1.5m relating to retained support service recharges which should be removed in both income and expenditure.	✓
Narrative report	We have identified that no reference has been made to local government reorganisation and, whilst this is still to be decided, management should reference the issue within the narrative report	✓
Note 40	Adjustment from 350 operating leases to 315 operating leases to accurately reflect on the number of leases held by the Council as at 31 March 2025	✓
Note 24	As part of the Income Received In Advance Sample Testing, we identified two samples which transferred receipts received in payment systems Allpay and Pay360 into the following year using a IRIA code to investigate and determine where the income should be recorded. The audit team deem that the receipts should not be sat on IRIA code / line in the financial statement as it does not meet the definition of income received in advance where there is a obligation to perform services for the cash received. We deem it should be included in the creditors note as Other payables which accurately records the receipts as there is a chance that these receipts will be returned if it cannot be matched to appropriate income.	✓
Throughout	A limited number of typographical errors have been identified throughout the financial statements.	✓

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
● Medium	The Council has finance staff with superuser access to the system. There is a risk of misuse of this access and this not being identified due to the rights provided to a superuser. We recognise that review of user access will be reviewed as part of migration to a new finance system but consider compensating controls should be implemented.	<p>Management should review the user accounts identified and consider whether this is required and where necessary ensure compensating controls are in place.</p> <p>Management response</p> <p>As reported in 23/24 a review of superusers has been completed and is now reduced to three finance officers. Operationally, it is not possible to reduce to a lower level due to the need to ensure adequate cover for annual leave and sickness. Compensating controls are in place to mitigate risks through regular system reconciliations, budget monitoring and internal and audit inspections.</p>
● Medium	Management have applied a 50 year useful economic life to Solar and Energy Assets whereas 20 years is more usual. This has resulted in an undercharge in minimum revenue provision in 2023-24 of £64k and a cumulative undercharge of £259k.	<p>Management should review the MRP calculation to ensure that it based on appropriate lives for all assets</p> <p>Management response</p> <p>Agreed. The MRP calculation for future years reflects a review of appropriate lives including solar and energy assets</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

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
● Medium	<p>Management have not retained appropriate audit evidence to support the values disclosed for the following areas</p> <ul style="list-style-type: none">– Leases– Revenue Grants– Assets <p>Our testing has identified a trivial error and there is a risk that similar issues in future years could lead to a larger, reportable misstatement</p>	<p>Management should ensure that appropriate sufficient documented evidence is retained and available in order to support the audit process and demonstrate that disclosures in the financial statement are accurate and appropriate</p> <p>Management response</p> <p>Leases – This has been reviewed and addressed for the Y/E 2025/2026</p> <p>GIA – This issue was raised during the Audit process for Y/E 2024/2025. The Commercial Assets Team then sought a CAD licence immediately when the concerns were raised about verifying the floor areas. Therefore, this has been addressed for Y/E 2025/2026.</p>
● Medium	<p>Testing of valuer's assumptions for valuation of assets has identified a number of issues that have led to a material adjustment to the financial statements. These include:</p> <ul style="list-style-type: none">– Incorrect GIA used– Incorrect apportionment of land size– Incorrect BCIS rates used– Omission of land values in the overall calculation– Other costs such as fees, obsolescence and location factor not being considered in the overall valuation– Appropriate sales costs not established	<p>Whilst management currently have a process in place to review and challenge the valuer they should look to ensure that this is sufficiently robust to understand and assess all assumptions for appropriateness</p> <p>Management response</p> <p>2024-25 was the first year of a new external asset valuation contract and early engagement has started to strengthen data checks and review processes to ensure all assumptions are assessed for appropriateness for future years</p>

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
● Medium	Journals under £5,000 do not require authorisation. Although no issues have been identified there is a risk that potentially fraudulent or incorrect journals will be posted	<p>Management should ensure that a sufficiently robust process exists to ensure all journals posted are appropriate</p> <p>Management response</p> <p>a threshold of £5,000 was previously agreed with our auditors for individual authorisation of journals, as the finance system does not have journal authorisation controls. We have mitigating controls in place with monthly reconciliations, budget monitoring and internal and external audit processes. Having a threshold for journal authorisations is also consistent with neighbouring authorities that also adopt a threshold for journal authorisation.</p>
● Low	Hierarchy levels used for financial instrument disclosures are not in line with the inputs used to value transactions. Management have disclosed balances as level 3, unobservable inputs, for balances that have observable inputs and should therefore be a level 2 disclosure	<p>Management should review financial instrument hierarchy disclosures to ensure that these are representative of the balance being considered.</p> <p>Management response</p> <p>Financial instruments have been disclosed on a consistent basis with previous audited financial years during 2024/25. Management will review the hierarchy levels as part of preparing for closing 2025/26 and will update, if considered appropriate.</p>
● Low	Accounting policies state that 20% of assets plus the top 4 highest value assets are valued on a rolling basis over a five year period. Testing identified that this related to full revaluations, and that annually any assets not subject to full valuation are subject to a desktop review, with an updated valuation for them included in a signed valuation report. Therefore, it is considered that 100% of assets are valued on an annual basis.	<p>Management should update or clarify the accounting policy for asset valuation in order to ensure it is reflective of the processes undertaken.</p> <p>Management response</p> <p>The accounting policy sets out that assets not included in the full valuation are also assessed in order to ensure that carrying amounts are not materially different to current values. It is felt the accounting policy reflects the instructions to our valuers and the process undertaken. Nonetheless, from 2025/26, it is planned that all assets will be fully revalued and the accounting policy will therefore be updated.</p>

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
● Low	Management have implemented a robust process to identify and value right of use assets as required under IFRS16. The Code sets out the required disclosures and testing identified that not all requirements had been met. We have not identified any issues with the valuation and the low rating represents that this is best practice.	<p>Management should review the Code when changes to accounting standards are made to ensure full compliance</p> <p>Management response</p> <p>Agreed, management prepare project plans and prioritise resources when changes to accounting standards are made, so that it can manage the transition. With regards to IFRS 16, this was a significant change and it is a reflection of this detailed planning that only two minor changes were identified during the course of the audit.</p>
● Low	Management should consider the requirements of the Code when disclosing critical judgements to ensure that all entries are appropriate and would have a material impact on the financial statements if assumptions were amended.	<p>Management should ensure that all judgements used to identify disclosures in the financial statements are in line with the requirements of the Code</p> <p>Management response</p> <p>Agreed</p>
● Low	Testing of the appropriateness of useful economic lives (UEL) identified the following: <ul style="list-style-type: none">- 10 assets that were included on the fixed asset register (FAR) that did not have a UEL- 9 assets disposed in 2023-24 remained on the FAR- The current policy for infrastructure depreciation does not allocate an individual UEL for each asset and uses an overarching 20 years	<p>Management should ensure that the UELs assigned are appropriate and that the FAR is reviewed on a regular basis to ensure all included assets are appropriate.</p> <p>Management response</p> <p>The UEL for the 10 assets added to the asset register in 24/25 have now been added and included within the 25/26 depreciation calculations, we will include this information at the same time as the additions in future.</p> <p>A review will be sent to services on an annual basis to confirm the continued existence of assets and the FAR adjusted accordingly.</p> <p>We will consider creating sub-categories for different types of assets and their UEL's and implement if required although this will not have a material impact on the accounts.</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 11 recommendations being reported in our 2023/24 Audit Findings Report. Management have addressed 6 of the recommendations and testing in 2024-25 has identified that the remaining 5 have yet to be addressed and have been raised once more in the action plan.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>The Council has finance staff with superuser access to the system. There is a risk of misuse of this access and this not being identified due to the rights provided to a superuser. We recognise that review of user access will be reviewed as part of migration to a new finance system but consider compensating controls should be implemented.</p> <p>✓ Recalculation of investment property valuations identified a variance due to the use of specific software by the external valuers. This has led to an overstatement of the Investment Property balance</p>	<p>Testing in 2024-25 has identified that there are still 3 members of the finance team with superuser access. We are aware that this will be addressed through the system update but the risk remains and a recommendation has been raised</p> <p>Testing of Investment properties has not identified any issues in relation to software used by the valuer and, therefore, we consider this recommendation has been addressed</p>
X	<p>Management have not retained sufficiently robust documentation to support the assumptions used in some valuations. Including comparable data. We have undertaken alternative audit procedures in order to gain assurance over the valuations</p> <p>✓ Review of the approach used in calculating asset valuations identified that there is an inconsistency in approach for items in the same class of assets. There is a risk that the inconsistency could lead to a significant variance and a material misstatement.</p>	<p>We have identified some deficiencies in the retention of documentation in 2024-25 and have raised a further recommendation in the action plan</p> <p>Review of PPE assets, chosen for testing in 2024-25, have not identified any inconsistency within valuation methods for the same class of asset. Therefore, we consider this recommendation has been addressed</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	As per previous years we have continued to identify issues with the Council's declaration of interest as a number of declarations have not been updated since prior to the start of the financial year. The declaration of interest is an important control to ensure impartiality, openness and transparency in decision making	We have confirmed that all relevant Council declarations have been reviewed and updated where appropriate. Therefore, we consider this recommendation to have been addressed
X	Management have applied a 50 year useful economic life to Solar and Energy Assets whereas 20 years is more usual. This has resulted in an undercharge in minimum revenue provision in 2023-24 of £64k and a cumulative undercharge of £259k.	Testing in 2024-25 has again identified that the Council continue to apply 50 years for this asset. This is a management policy decision and a recommendation has been raised within the action plan
X	Hierarchy levels used for financial instrument disclosures are not in line with the inputs used to value transactions. Management have disclosed balances as level 3, unobservable inputs, for balances that have observable inputs and should therefore be a level 2 disclosure.	We again consider that management's assessment of hierarchy levels are not in line with the inputs and have raised a recommendation within the action plan
✓	An overstatement of capital receipts in the capital financing requirement (CFR) has been identified which has resulted in an incorrect calculation of the CFR.	No issues have been identified within the CFR and, therefore, we are satisfied that this recommendation has been addressed.

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Accounting policies state that 20% of assets plus the top 4 highest value assets are valued on a rolling basis over a five year period. Testing identified that this related to full revaluations, and that annually any assets not subject to full valuation are subject to a desktop review, with an updated valuation for them included in a signed valuation report. Therefore, it is considered that 100% of assets are valued on an annual basis.</p>	<p>This is management policy decision and has not been amended from the prior year. We are still of the opinion that the policy does not fully reflect the action undertaken by management and have raised a recommendation within the action plan</p>
✓	<p>Testing identified seven assets for which depreciation has not been applied. It was identified that these related to Pyramid Leisure Centre which was disposed of in 2022/23 and the remaining assets will be disposed in 2024/25. These have neither been depreciated or moved to an appropriate asset categorisation.</p>	<p>We have not identified any issues with depreciation in 2024-25 and, therefore, consider that this recommendation has been addressed</p>
✓	<p>Review identified two fully depreciated assets that have not been removed from the fixed asset register.</p>	<p>We have not identified any issues with depreciation in 2024-25 and, therefore, consider that this recommendation has been addressed</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Value for Money arrangements

Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR was reported to you on 27 November 2025 audit & governance committee.

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



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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

In undertaking this work we have identified significant weaknesses in arrangements for governance and improving economy, efficiency and effectiveness resulting in three key recommendations. We have also made five improvement recommendations.

Independence considerations

Independence considerations

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

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority 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 Authority 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 Authority or group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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

Fees and non-audit services

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

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

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

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

Audit fees	£
Audit of Authority	183,485
IFRS 16	10,027*
Total	193,512

* See breakdown of costs at page 53

Fees and non-audit services

Audit-related non-audit services

Service	2023/24		2024/25		Threats £ Identified	Safeguards applied
	£	£	£	£		
Certification of Housing Benefits Subsidy claim	35,640	36,480	Self-Interest (because this is a recurring fee)			The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £72,120 in comparison to the total fee for the audit of £193,512 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Pooling of Housing Capital Receipts claim	10,000	10,000	Self-Interest (because this is a recurring fee)			The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £20,000 in comparison to the total fee for the audit of £193,512 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	45,640	46,480				

Fees and non-audit services

Total audit and non-audit fee

(Audit fee) £193,512

(Non-audit fee) £92,120

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	£249,715
• Housing benefit 2023-24	£35,640
• Pooling of housing capital receipts 2023-24	£10,000
• Less additional IFRS 16 fee	(£10,027)
• total fees per above	£285,328

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.

Additional fee analysis – fee variation for in year work

The following table sets out further information on additional fees.

Grade	Rate (Determined by PSAA)	Hours	Fee variation for Audit 2024/25
Director	£428	2	856
Senior Manager/Manager	£236	4.5	1,062
Senior Auditor	£153	53	8,109
Total		59.5	10,027

The above is subject to review by PSAA who will make a final determination.

Appendices

A. Communication of audit matters with those charged with governance

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

A. Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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



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