The Audit Findings (ISA260) Report for Exeter City Council

Year ended 31 March 2024

Exeter City Council
Civic Centre
Paris Street
Exeter
EX1 1JN

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL
[T +44] 0117 305 7600

www.grantthornton.co.uk

12 February 2025

Dear Chair

Audit Findings for Exeter City Council for the year ended 31 March 2024

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

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

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

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

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

Jackson Murray

Director
For Grant Thornton UK LLP

Contents

Your key Grant Thornton team members are:

Jackson Murray
Key Audit Partner
E Jackson.murray@uk.gt.com

David Johnson
Manager
E David.a.johnson@uk.gt.com

Suraj Hirani
Assistant Manager
E suraj.m.Hirani@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Exeter City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

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

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Our audit work was completed remotely between October 2024 and February 2025 as planned. Our findings are summarised on pages 7 to 26. We have not identified any adjustments to the financial statements or adjustment to the Council's Comprehensive Income and Expenditure Statement.

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

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

- sample testing of transactions for short term creditors, investment property income and fees and charges;
- agreement of final inputs into a sample of investment property valuations;
- going concern assessment;
- minimum revenue provision assessment;
- review of member and officer declarations;
- satisfactory completion of audit file quality reviews;
- receipt of management representation letter; and
- receipt and review of the final set of signed financial statements

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

Our anticipated financial statements audit report opinion will be unmodified. We anticipate providing our audit opinion after the approval of your accounts by the Audit & Governance Committee.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	Our work on the Council's value for money (VFM) arrangements is reported through our commentary on the Council's arrangements in our Auditor's Annual Report (AAR), which is included as a separate agenda item for the Audit and Governance Committee meeting 12 February 2025. We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weaknesses we have identified in the Council's arrangements is detailed on page 27 of this report.

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 have completed the majority of work under the Code. As the NAO have indicated that no certificates are to be issued until their whole of government accounts work has been completed we are unable to issue the certificate. This will be issued as soon as is possible upon completion of their work.

Significant matters	Our work in 2023/24 has been impacted by the closing of prior year audits. This has impacted the audit team and management's capacity to deal with queries raised and provide working papers, during this period, and we have continued to work together to ensure progress within the audit. We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during the audit

1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament. This confirmed the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. We are pleased to confirm that no such requirements were needed for Exeter and that we also anticipate concluding the 2023/24 audit prior to the next backstop date of 28 February 2025. The issue of delays in audit delivery are still prevalent and we will continue working with management to ensure that this does not impact future audits as the backstop date moves to earlier in the year from 2025/26 onwards.

New National Audit Office Code

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

National context – level of borrowing

All councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Exeter City Council is not immune to the challenges the current financial environment present and continues to manage ongoing finances through a number of mechanisms including investment properties and borrowing to deliver services. The Council has managed to keep borrowing for both short-term and long-term stable, with a small reduction in long-term borrowing in the year, with no impact on the continued delivery of services, and has avoided making inappropriate investments outside the geographical area of Exeter and the South West. The challenge will remain for the coming years, and we will continue to monitor the Council's performance, both in the financial statements and through the assessment of VfM arrangements.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- an evaluation of the group's internal controls environment, including its IT systems and controls;
- an evaluation of the components of the group based on a measure of materiality, considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that the only material difference between the Group and Council accounts is the asset transfer transaction which includes the write down of loan to Exeter City Living by the Council. We have, therefore, performed targeted procedures at the Council level and ensured all consolidations are appropriate; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Governance Committee meeting on 12 February 2025. These outstanding items are those noted on page 4 of this report.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 25 September 2024.

We set out in this table our determination of materiality for Exeter City Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,250,000	2,200,000	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 and, therefore, gross expenditure was deemed as the most appropriate benchmark. This benchmark was used in prior year. We deemed that 2% was an appropriate rate to apply to the expenditure benchmark.
Performance materiality	1,687,500	1,612,500	Our performance materiality has been set at 75% of our overall materiality
Trivial matters	112,500	110,000	Calculated as a percentage of headline materiality and in accordance with auditing standards

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	Council and Group	We have: • evaluated the design effectiveness of management controls over journals; • used Inflo, our data analysis software, which undertakes a number of checks on the data, such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with management; • 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; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions Our testing identified that there are a number of super users who have the ability to add and remove staff from the general ledger which gives a wider scope for manipulation of data. 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 this.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and Group we have determined that the risk of fraud arising from revenue recognition can be rebutted because: - there is little incentive to manipulate revenue recognition; - opportunities to manipulate revenue recognition are very limited; - the culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable; and - there is an immaterial difference between Council and Group revenue and hence the risk of material misstatement at the Group is remote.	Council	Having completed our work, we consider that the rebuttal of the risk remains appropriate. We also reconfirmed that no material balances were identified at Group level when compared to the Council values and, therefore, this is not considered a significant risk at the group level.
Risk of fraud related to expenditure recognition PAF Practice Note 10 In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).	Council	We have rebutted this presumed risk for the Group and Council because: • expenditure is well controlled, and the Council has a strong control environment • the Council has clear and transparent reporting of its financial plans and financial position; and • there is an immaterial difference between the Council and Group expenditure and hence the risk of material misstatement at the Group is remote.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Valuation of land and buildings (Including Council Dwellings) (Rolling revaluation) The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. 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. 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. We therefore identified valuation of land and buildings (including Council Dwellings) as a significant risk.	Council	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation 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 2024 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 2024 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; and • reviewed those assets not revalued in year to ensure there is not a material variance between the market value and the carrying value. 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. We also identified the following issues from our testing: • We experienced challenges in obtaining comparable evidence such as market reports and research to support judgement on assumptions such as obsolescence, land £/acre and fees. We discussed this with management and they have been unable to provide support for assumptions and therefore alternative audit methods have been used to gain sufficient assurance. • As part of testing, we identified that for some car park valuations, land value has been included while others do not. There's a difference between the internal and external valuer approach which was explained appropriately and is due to the approach the internal valuer has opted (investment approach). However, within the assets subject to internal valuation, there was one asset which the valuer calculated a land value. While this makes no impact on the overall valuation, it would be more appropriate if the approach was consistent across the assets and where there are differences, this should be explained.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Valuation of land and buildings (Including Council Dwellings) (Rolling revaluation) Continued	Council	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: • 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 2024 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. Our work has not identified any issues in relation to this risk.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Valuation of Investment Properties (annual revaluation) 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. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£71,516k) and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of an external valuer to estimate the fair value as at 31 March 2024. We therefore identified valuation of investment property, particularly revaluations and impairments, as a significant risk of material misstatement.	Council	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation 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 2024 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 each item within our sample we have requested detailed calculation sheets for the 2024 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. Testing identified the following issue: • two assets where we have identified variances between the valuer's calculation and our recalculation. The errors are due to variances in the rental income used for the calculation as well as rounding variances. The total of these variances is an overstatement of £471k which we have extrapolated to £673k across the investment property portfolio. The variance is below materiality and, therefore, we are satisfied that the balance is not materially misstated. We have raised a recommendation in relation to this error. Our work in this area is ongoing and we will report any findings to management and members

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Valuation of pension fund net liability 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. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£17 million liability in the Council's balance sheet at 31/03/24) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.	Council	We have: • 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; and • obtained assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Within the year it was identified that nationally, IFRIC 14 calculations in relation to asset ceilings had not been appropriately considered by actuaries through a combination of error and not being requested to by councils and pension funds. In 2023/24 we noted that management has disclosed the impact of the asset ceiling which we have considered as part of our IFRIC 14 review. We discussed the issue with management who requested an updated calculation through their actuary for prior years, as the prior year audits were still open. This was received and we have reviewed it and consider that there is no further impact on the Council's liability position in prior years. We also consider the 2023/24 adjustment to be appropriate. We rely on assurances provided by the pension fund auditor over asset and liability balances included in the actuarial report and have reviewed their response for 2023/24. This identified two issues in level 2 and level 3 investments at the pension fund level. Level 2 investments have been overstated by £5.1m and level 3 investments have been understated by £21m in the pension fund's accounts. The Council's share of these assets is 2.84% and therefore the impact on the Council's financial statements are an overstatement of level 2 investments of £143,761 and an understatement of level 3 investments of £596,854. The net position is £453,093 which is not material and is considered to be an unadjusted misstatement The pension fund auditor has also identified one level 3 investment property for which the redemption of the units has been suspended since March 2022. No impairment has been made for possible reductions and therefore the accounts could be overstated by £13.5m of which Exeter's share is £394k which would be the worst case scenario. This is not material and therefore no further work has been undertaken and there is no material adjustment to the Council's statements

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

Component	Component auditor	Findings	Group audit impact
Exeter City Council	Grant Thornton	See pages 9 to 13 for significant risks work undertaken and any issues identified in relation to significant risks.	There is no impact on the group audit opinion.
Exeter City Living	PKF Francis	Analytical procedures have been undertaken As reported in our Audit Plan in September 2024, we held discussions with management and reviewed early assessments as to the impact in the change in scope of the services provided by ECL. On receipt of the draft accounts, it was confirmed that there were no component balances that were material to the group accounts and, therefore, analytical procedures at group level were completed. We examined the gain/losses on the acquisition of non-current assets and the write off of the loan to ECL at a Council level to gain assurance over the accounting treatment and the balance and are satisfied that this has been appropriately disclosed in both the Council and Group accounts.	There is no impact on the group audit opinion.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £169.4m	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. 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. The Council has engaged its internal valuer to complete the valuation of properties as at 31 March 2024 and 48% of land and building assets were subject to a full revaluation during 2023/24. The total year end valuation of land and buildings was £169.4m, a net increase of £15.3m from 2022/23 (£154.1m)	We have assessed: • 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; and • the consistency of the estimate against market data. 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. Where assets are not revalued in the financial year, assurance is required that these are not materially different to the current value at year end. From discussion with management the Terms of Engagement with the valuer require that those assets not included in the full valuation process are assessed for any material valuation fluctuations and a desktop exercise is undertaken. The valuer's report states which assets have been fully revalued and which have been subject to a desktop review. As such, all assets revalued in the year have been given a certified valuation at 31 March 2024. 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.	● Green

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £71.5m	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 The Council's commercial investment portfolio consists of a mixture of assets comprising both industrial and commercial usage. The Council has engaged JLL, as an external expert, to complete the 2023/24 valuation of these investment properties. The total year end valuation of investment properties was £71.5m, a net decrease of £27.1m from 2022/23 (£98.6m).	We have reviewed the detail of your assessment of the estimate considering: • our assessment of the Council's internal valuers and management's expert JLL; • the completeness and accuracy of the underlying information used to determine the estimate; • the reasonableness of the overall decrease in the estimate of £27.1m. Work undertaken has identified that this is due to market conditions and no specific factor impacting either a specific class or individual asset. We also consider the change in valuer has impacted the valuations but no issues have been identified within their methodology; and • the adequacy of the disclosure of the estimate in the financial statements. 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 one asset which we continue to discuss with management. 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.	● Green

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Dwellings - £300.5m	The Council owns 4,782 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 JLL to complete the valuation of these properties. The year end valuation of Council Dwellings was £300.5m, a net decrease of £15.8m from 2023/24 (£316.3m).	We have: • 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; and • agreed the HRA valuation report to the Statement of Accounts. No issues have been noted.	● Green

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

2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £17m</td>
<td>The Council's net pension liability as 31 March 2024 is £17m (PY £28.9m) comprising the Local Government and unfunded defined benefit pension scheme obligations.
The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes.
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.
Given the significant value of the net pensions fund liability small changes in assumptions can result in significant valuation movements.
There has been an increase of £11.9m in the net actuarial deficit during 2023/24.</td>
<td>We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place.
We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made:
<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.90%</td><td>4.80%– 4.95%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>3.25%</td><td>3.10% - 3.45%</td><td>●</td></tr>
<tr><td>Salary growth</td><td>3.90%</td><td>CPI (2.90%) + 1</td><td>●</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>22.8 / 21.5</td><td>20.6 – 23.1 / 19.2 – 21.8</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>24.1 / 22.7</td><td>24.1 – 25.7 / 22.6 – 24.3</td><td>●</td></tr>
</table>
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.</td>
<td>●
Green</td>
</tr>
</table>

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £2,465k	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 The year end MRP charge was £2,465k, a net increase of £556k from 2022/23. 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. In 2023/24 the amount reclaimed was £97k and review of management's calculations was able to conclude that the approach taken is appropriately evidenced.	We consider that the approach taken by the Council to reclaim prior year voluntary payments is reasonable and in line with guidance. In prior year's we noted that the Council did not provide MRP for capital loans to third parties. The Council has now updated the policy following the write-off of the loan to Exeter which has reduced the relevant MRP from £441k to £40k. We now consider that the Council's policy is appropriate. Our work in the area is not yet complete and we will update management and members with any findings.	TBC

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

2. Financial Statements: Information Technology

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

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
eFinancials	ITGC assessment (design and implementation effectiveness only)	🟠	🟠	🟢	🟢	Management override of controls	We identified a control weakness whereby 6 Super Users have been identified that have user accounts that allows them to change access rights of other users, including themselves. This puts an additional risk on the segregation of duties and the whole internal control system of ECC. Due to this, we undertook specific review of journals posted by those users to recognised the heightened risk.
ASH – Debtors system	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	⚫	🟢	N/A	N/A
CivicaPay – Income Management system	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	⚫	🟢	N/A	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

2. Financial Statements: Digital Audit

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

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

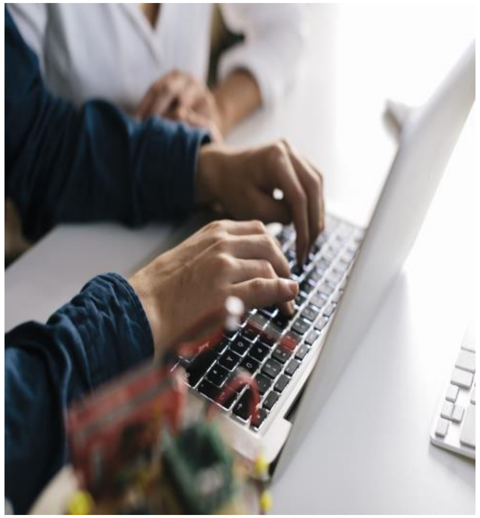
Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	31 August 2024	23 September 2024	We experienced minor delays in receiving the information due to the ongoing work being completed in prior years at the time of the request. There were no issues identified with the data provided.
Opening trial balance for 2023-24	4 October 2024	7 October 2024	There is a requirement for the audit team to observe the download of the TB in order to provide assurance that all parameters are appropriate and that complete data has been provided. Due to system issues the Council are unable to provide a single download to cover the financial statement period and have had to provide monthly downloads. We observed one month on the basis that the process was consistent for all months and gained assurance over completeness through other audit procedures.
Closing trial balance for 2023-24	4 October 2024	7 October 2024	
All general ledger transactions during 2023-24	4 October 2024	14 October 2024	We experienced some minor delays in receiving the information and there was no issues identified with the data provided.
Draft accounts for 2023-24	N/A	31 May 2024	There is a statutory reporting date by which councils were due to publish draft accounts on the their website. The draft accounts were published on 31 May 2024, in line with the statutory reporting date.

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee, and we have not been made aware of any incidents in the period. No other issues have been identified during the course of our audit.
Matters in relation to related parties	With the exception of the items listed below , we are not aware of any related parties or related party transactions which have not been disclosed. • There is a disclosure of £60,686 in relation to grants paid to organisations in with 14 members have an interest. Agreement to underlying records identified the £25k related to 2024/25 • Testing of the register of interests identified that ten interests of declarations were last updated before the financial year.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Committee papers.

2. Financial Statements: other communication requirements



Issue	Commentary
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 policy issue: • 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.
Audit evidence and explanations/ significant difficulties	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.

2. Financial Statements: other communication requirements

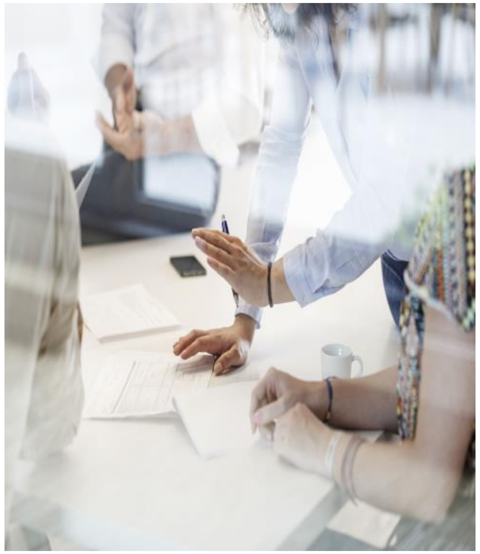
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates; • the Council's financial reporting framework; • the Council's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. This work is outstanding, and we will obtain sufficient appropriate audit evidence to enable us to conclude that: • 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.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement and Narrative report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; and/or • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. With the exception of the VFM significant weaknesses reported on page 26, we have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that detailed work is not required as the Council does not exceed the threshold, however the NAO have requested that nationally all audit certificates for 2023/24 are held until their work has been completed.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2023/24 audit of Exeter City Council in the audit report, due to the NAO requirement to delay issue until WGA work has been completed as noted above.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report (AAR). The AAR is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Governance The significant weakness relating to Exeter City Living (ECL) and the Council's other companies and alternative delivery models identified in 2021/22 and 2022/23 remains.	We have considered management's response to our previous key recommendation.	We first raised a significant weakness on Exeter City Living (ECL) in 2020/21 and concluded that this significant weakness had not been addressed in 2021/22 and 2022/23. We raised a key recommendation in that year requiring the Council to undertake a review of governance arrangements across all its alternative delivery models. The key recommendation we raised in this respect has still not been actioned and therefore the significant weakness remains in 2023/24.	Significant weakness identified. Key recommendation previously raised remains outstanding: The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue, the Council should strengthen the governance arrangements as follows: • determine who will act as the shareholder representative or Council lead; • agree the objectives or benefits expected through partnership working so that performance can be effectively monitored; and • introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings.
Improving economy, efficiency and effectiveness Our joint Auditor's Annual Report for 2021/22 and 2022/23 concluded that the Council did not have an effective formal performance management framework in place and had not monitored or reported progress against its strategic objectives in a formal and consistent way, and this continued in 2023/24.	We have considered management's response to our previous key recommendation and whether an effective formal performance management framework is in place.	Since the key recommendation made in February 2024 the Council's new Chief Executive has been undertaking a fundamental review of the Council's corporate plan and work has progressed with members to define the outcomes expected. Further work in defining the key metrics associated with those outcomes is being completed in 2024/25 with a view to having comprehensive reporting in place for 2025/26. Given the progress made to date the significant weakness remains in place along with the existing key recommendation.	Significant weakness identified. Key recommendation previously raised remains outstanding: The Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Executive or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council's strategic priorities. A robust performance management framework should clearly set out the approach required.

3. VFM: our procedures and conclusions

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Improving economy, efficiency and effectiveness The Council does not have appropriate arrangements in place to ensure that it meets legislative and regulatory standards where it procures or commissions services.	We have reviewed management's arrangements for considering contract management arrangements and making sure that this is fit for purpose.	The Council's lack of effective procurement procedures has resulted in the Council not having an effective Counter Fraud Service in place in 2024/25	Significant weakness identified. Key recommendation raised: **The Council should ensure that effective procurement procedures are in place to ensure all service requirements are addressed when services are outsourced.**
Governance Through an internal audit report the Council has identified a number of breaches of its Contract Procedure Rules and potential breaches of procurement legislation. We understand that there may be further breaches that the Council has not yet identified and as such the contracts register is incomplete. The Council has not yet put in place procedures to prevent similar breaches continuing to occur.	We have reviewed the arrangements in place to consider whether these are effective and sufficiently robust to identify breaches.	The Council does not therefore have appropriate arrangements in place to ensure that it meets legislative and regulatory standards where it procures or commissions services.	Significant weakness identified. Key recommendation raised: **The Council should urgently review all spend to suppliers (including spend through corporate credit cards and staff expense reimbursement) to identify all instances where procurement has not been in accordance with contract procedure rules or procurement legislation. The Council should ensure that appropriate action is taken to ensure breaches are identified and appropriate action taken. The Council should also ensure that timely and accurate reporting of all breaches and contract exceptions (waivers) is reported to the Audit and Governance Committee on a quarterly basis. Due to the severity of this issue the Council should action this recommendation within six months.**
Governance (2024/25 year) Counter Fraud audit work has not been undertaken in 2024/25 as the Council did not include provision of this service in its updated contract with internal audit.	We have considered management's arrangements for ensuring that an effective Counter Fraud Service is in place for 2024/25	A significant weakness exists in respect of governance in the 2024/25 audit year.	Significant weakness identified. Key recommendation raised: **The Council should ensure that appropriate fraud management arrangements are in place as soon as possible for 2024/25, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud**

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers).
In this context, we disclose the following to you:

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

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

Details of fees charged are detailed in Appendix E.

Transparency

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

4. Independence considerations

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the 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 Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

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

4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to February 2025, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant 23/24	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 £10,000 in comparison to the total proposed fee for the audit of £175,572 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services) Management threat	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Subsidy return 23/24	44,550	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 £44,550 in comparison to the total proposed fee for the audit of £175,572 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services) Management threat	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Governance Committee. None of the services provided are subject to contingent fees.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
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	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 8 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified 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.	Management should review the user accounts identified and consider whether this is required and where necessary ensure compensating controls are in place. **Management response** Agreed. We have accelerated the review of user permissions, rather than wait for the new finance management system. I can therefore confirm that the number of finance staff with superuser access will be restricted to three officers.
● Medium	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	Management should ensure that they review valuation reports and assumptions used to ensure that this is in line with documentation held and expectations to ensure that these are consistent. **Management response** Agreed. The Head of Service, Finance will liaise with the internal valuer to confirm the processes for reviewing external valuation reports, prior to their issue to management.
● Medium	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	Management should ensure that sufficient documentation is retained in order to support assumptions used within calculations. **Management response** Agreed. This will form part of the terms of engagement for the annual asset valuations
● Medium	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.	Management should ensure a robust review process is in place to ensure that there is a consistency in approach for the valuation of assets. **Management response** Agreed. This will form part of the terms of engagement for the annual asset valuations
● Medium	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	Declarations of interest should be completed on an annual basis including nil returns **Management response** Interests must be reported to the Monitoring Officer, including a nil return, on annual basis no later than 31 March. The year-end workplan will include a specific action to check that the Register of Interests is complete

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
● Low	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.	Management should update or clarify the accounting policy for asset valuation in order to ensure it is reflective of the processes undertaken. **Management response** The accounting policies will be updated for future years to clarify that a desktop review is undertaken for those assets not included in the full valuation, which ensures 100% of assets are valued on an annual basis.
● Low	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.	Management should ensure that all assets are appropriately classified and that where necessary depreciation should be applied. **Management response** Agreed. A check will be introduced as part of finalising the profit and loss on disposal of assets calculation to ensure that any assets recorded in respect of a disposed asset are derecognised.
● Low	Review identified two fully depreciated assets that have not been removed from the fixed asset register.	Management should conduct a comprehensive review of fully depreciated assets to ensure all disposed assets are removed from the fixed asset register. **Management response** Agreed. The year-end workplan will include a specific exercise to review fully depreciated assets and remove those no longer in use

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Exeter City Council's 2022/23 financial statements, which resulted in 5 recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations and note 2 are still to be completed. We note that the 2022-23 report was presented to members in November 2024 and therefore there has been insufficient time to address all recommendations raised. We have reported the current position for each recommendation below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	As noted in the past two years, we have continued to identify issues with the Council's declaration of interests as not all declarations were received for all officers. The declarations of interest are an important control to ensure impartiality, openness and transparency in decision making. Where there is nothing to declare, nil returns should be required from senior officers	Our work in this area has identified further issues and a recommendation has been raised.
X	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	The superuser access remains for 6 members of the finance team. Management noted in 2022/23 that a review of user permissions will be undertaken as part of the move to the new financial system and has, therefore, not been addressed in 2023/24. We have re-raised a recommendation.
✓	The Council does not provide minimum revenue provision (MRP) for capital loan payments to third parties. This is not deemed to be in line with the regulations. The Council should consider this going forward in respect to any future capital loans. The Council should review it's working papers to support its MRP on historical debt to ensure there is a clear audit trail and MRP is only charged on the assets funded through borrowing.	Management have updated the MRP calculation to provide for loans to external parties. It is noted that this has been done subsequent to the write–off of the £10m loan to Exeter City Living.
✓	The Council did not keep a record of the transaction reports to support card payments for a number of car parks. The Council should ensure that the transaction reports are held by the Council in order to ensure a clear audit trail from the original transactions to the weekly summary spreadsheets collated by the Council.	Our testing has not identified any issues in relation to retention of transactions to support card payments and we consider this recommendation closed.
✓	The Guildhall shopping centre is a material asset for the Council which involved critical judgement in determining its classification. Given its role in the Council's future regeneration and housing plans, there may be triggers which would impact on the judgement.	We have considered the valuation of the guildhall as part of our PPE testing in 2023/24. This has not identified any issues and therefore we consider that the judgement applied to the guildhall is appropriate for the year under audit.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

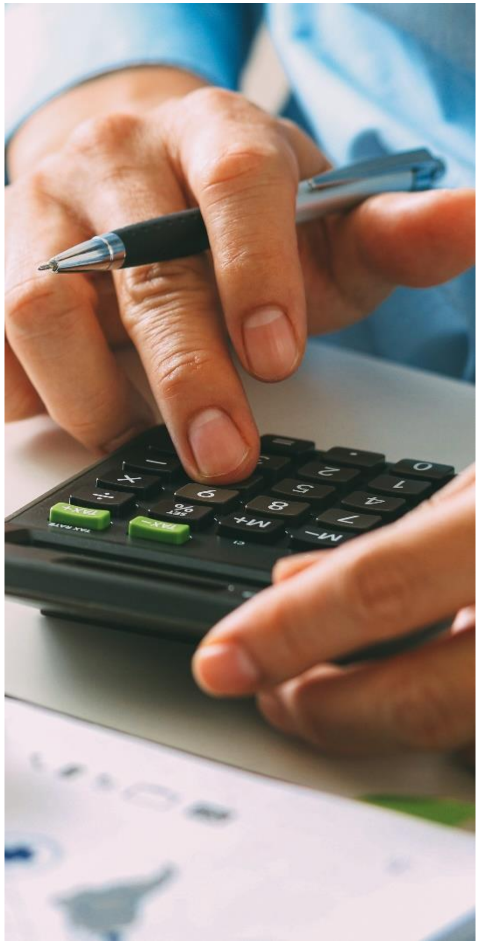
We have not identified any adjusted misstatements in 2023-24.

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Funding guarantee grant and Services grants are both Revenue Support Grants (RSGs) totalling £843k and £167k respectively. It has been identified that these RSGs have been included in "NDR" within "Income from CT and NDR" in Note 9 - I&E Analysed by Nature rather than "Government Grants and Contributions". Note 36 will also be amended moving balance from "NDR" to "RSG". There is no impact on the CIES.	Management should ensure that revenue is appropriately classified within the disclosures in the financial statements	✓
Review of capital commitments identified a variance between the amounts reported in the financial statements and the balance per the budget book. The variance is £1.5m	Management should ensure that disclosures in the statement of accounts are consistent with underlying data.	✓
A small number of amendments were made to the accounts to enhance clarity for the reader.	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader. We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	✓

D. Audit Adjustments (continued)



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit & 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	Reason for not adjusting
Misstatement of pension fund assets at a fund level extrapolated for Exeter	453	453	453	453	Not material
Variance identified within rental value used for calculating investment property valuations and the value per the lease	(673)	(673)	(673)	(673)	Not Material
Overall impact	£(220)	£(220)	£(220)	£(220)	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
A calculation error in the valuation schedule for an 'Other, Land and Building' property led to an undervaluation in the property		1,100		1,100	Not material. This has subsequently been corrected in the 2023-24 financial statements
Overall impact	£0	£1,100	£0	£1,100	

E. Fees and non-audit services

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

Audit fees	**Proposed fee**	**Final fee**
Scale fee	168,042	168,042
Other additional work – ISA315	7,530	9,415
Total audit fees (excluding VAT)	**£175,572**	**£177,457**

Non-audit fees for other services	**Proposed fee**	**Final fee**
Audit Related Services	£54,550	£54,550
Total non-audit fees (excluding VAT)	**£54,550**	**£54,550**

Total audit and non-audit fee	
(Audit Fee) £177,457	(Non Audit Fee) £54,550

The fees reconcile to the financial statements as below

- fees per financial statements £219,000
- Additional grant income - £9,000
- Additional audit fee - £4,000
- total fees per above - £232,000

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

Grant Thornton

grantthornton.co.uk