

The Audit Plan for Nottingham City Council

Year ending 31 March 2025

15 May 2025



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1 Key developments impacting our audit approach

Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, Presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of Strategic Authorities in England.

Strategic Authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for two-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining two-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation; and
- Re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Jim McMahon, Minister for Local Government and English Devolution, wrote to relevant authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We are aware the Council submitted an interim plan 21 March 2025 and a full proposal is due by 28 November 2025. We will keep a watching brief regarding developments and integrate into audit procedures, including VFM as appropriate.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop, with a similar proportion signed off in relation to 2023/24. This compares with an average of less than 30% sign off for other firms in the market in 2022/23. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

Local government faces many challenges, the pandemic along with the cost of living crisis has left local government bodies with economic, social, and health challenges to address, including:

Staffing: A key issue facing councils is maintaining service sustainability amidst the continuing challenge of workforce recruitment and retention. Councils continue to struggle to attract and retain appropriately qualified staff across a range of specialities. Many councils have outdated recruitment processes and are heavily reliant on agency staff. Nottingham City Council continues to face local staffing issues, with significant use of interim staff including at senior levels of the organisation, and in particular within the finance team and individuals responsible for the preparation of the financial statements.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough available homes to meet demand, and it is difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to secure planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding and increase in S114 notices: Local government bodies face many challenges in securing funding, including declining grant income and rising demand for services. These challenges can make it difficult for organisations to balance their budgets and plan in terms of financial sustainability. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services can impact local communities. Strained budgets are making it challenging to fund essential services and infrastructure projects. An increase in section 114 notices is also being seen across the sector.

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government bodies. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care, SEND and homelessness. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change.

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Director of Finance.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
- We would like to offer a formal meeting with the Chief Executive twice a year, and with the Director of Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
- We have been meeting weekly with the Council's central finance team to provide updates on the audit process for 2024/25 and discuss any emerging issues. In addition, we have:
 - ✓ Delivered presentations on 5 March and 7 March 2025 to the staff involved in the preparation of the Council's financial statements, on the audit process, working paper requirements, and the characteristics of sufficient and appropriate audit evidence;
 - ✓ Conducted a technical review of the 2023/24 financial statements and shared detailed findings with the finance team for reference during the preparation of the 2024/25 financial statements; and
 - ✓ Shared information with the Council regarding commonly identified accounting issues and inconsistencies across our local government client base, in order to support the final accounts process.



IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) 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.

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 all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

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

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most Local Government Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment, we are making enquiries of management to understand the processes undertaken and the likely impact of IFRS 16 for 2024/25.

Previous years' audits

Local Government National Context – 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 2023 and earlier by 13 December 2024;
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 27 February 2026.

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.

Nottingham City Council

Previous audits of the Council's financial statements have been protracted and challenging. Significant issues were identified during our 2018/19 audit, including the issuance of a Public Interest Report in August 2020, which meant that work was not concluded until April 2021.

We reported in our 2019/20 Audit Findings Report that the audit was conducted against a backdrop of concerns over the Council's governance and internal control procedures, including the failure of Robin Hood Energy, an unlawful breach of the Housing Revenue Account ringfence, and the loss of PPE valuation records. Furthermore, initial audit testing in 2019/20 revealed a high volume of errors in the Council's draft accounts. These factors in 2019/20 necessitated a revision of the audit risk assessment and the extension of audit procedures across multiple account balances in the draft financial statements. We identified significant issues regarding management override of controls, PPE valuations, and group accounts. There were also errors and evidence gaps in the work that we performed on the Council's journals, the Housing Revenue Account, operating expenditure, accounts payable, grants, and cut-off testing.

Although we were unable to conclude our audit work in relation to 2019/20 ahead of the backstop date, significant adjustments were made to the financial statements, and 24 recommendations were made to management as a result of our audit work.

The Accounts and Audit Regulations 2015 set out the dates by which the Council was required to make its financial statements available for public inspection. For each of the years 2020/21, 2021/22, 2022/23 and 2023/24 the Council did not meet this timetable:

Financial year	Due date	Date published
2020/21	31 July 2021	12 September 2024
2021/22	31 July 2022	12 September 2024
2022/23	31 May 2023	8 October 2024
2023/24	31 May 2024	20 December 2024

In light of the above publication dates, discussions were held with the Finance Commissioner, Chair of Audit Committee, and Corporate Director, Finance and Resources and it was agreed that it was no longer feasible to complete the audits ahead of the relevant backstop dates. A decision was made to prioritise the recovery of assurance, starting with the audit of elements of the Council's 2023/24 financial statements.

Although progress was made in each of the areas of planned work for 2023/24, there was insufficient time before 28 February 2025 to obtain sufficient appropriate audit evidence to conclude in these areas.

The Council was able to publish audited financial statements for all years up to 2023/24 ahead of the relevant backstop dates. However, in order to achieve this, a disclaimer of opinion was issued for each of the 2019/20, 2020/21, 2021/22 and 2022/23 financial years on 9 December 2024, and a disclaimer of opinion was issued for the 2023/24 financial year on 27 February 2025.

It is positive that the Council's financial statements are now up to date. We will look to work with the Council to regain assurance over the transactions and balances in the financial statements going forward.

Previous years' audits (continued)

Over and above the constraints introduced to the audit process by the backstop, our disclaimer of opinion has made reference to the following issues each year since 2019/20:

1. In December 2021, the then Interim Chief Finance Officer issued a s114 notice after discovering that the Council had unlawfully breached the ring-fencing requirement for the Housing Revenue Account (HRA) over a period of seven years, including the 2019/20, 2020/21 and 2021/22 financial years. We were unable to establish whether management override of controls was the cause of this breach, and whether other similar instances of both non-compliance with laws and regulations or management override of controls could have occurred.
2. We were unable to gain sufficient appropriate audit evidence on the operating expenditure of the Council in 2019/20 due to the volume of errors identified in the work that we performed.

As a result of these matters, we were unable to: appropriately respond to potential non-compliance with laws and regulations identified during the audit; obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations; and perform specified audit procedures to identify instances of non-compliance with other laws and regulations or management override of controls that may have a material effect on the financial statements.

In response to the HRA ringfence breach, the Council procured an independent review from Ernst & Young (EY) to investigate the misuse of ringfenced funds. The scope of this work differed from our expectations, as management declined to pursue an independent forensic review. EY's report, which covered the financial years 2019/20, 2020/21, and 2021/22, and was issued in May 2023, highlighted several key observations relating to ineffective audit trails, high levels of issues in sample items, and a high risk of controls being circumnavigated through management override.

Due to the HRA breach and EY's findings, we revised and extended our testing of high risk and unusual journals. This extended testing identified further incorrect postings, many of which were due to erroneous accounting, indicating a lack of understanding within the wider finance team at the Council.

The Council accepted the findings from the EY report and initiated a financial controls remediation project, identifying 38 necessary actions. Management's view is that progress has been made in implementing these actions, but at the time of writing this Audit Plan we have not yet been able to gain assurance that the underlying control deficiencies have been resolved.

In order to return to a clean audit opinion, we will require assurances that the historical issues identified in the Council's control environment have been addressed. We understand that remediating actions have been taken. Management should consider how they have assurance, and how they can demonstrate to us, that these remedial actions have had the required effect, and that the underlying weaknesses in the control environment have been addressed. This could include a formal assessment by the Council's Internal Audit team, or by members of management, or a third party review.

If the issues previously identified have not been appropriately resolved, their impact could be both material and pervasive to the 2024/25 financial statements. Our audit risk assessment has been completed in the context of these findings. As part of the 2024/25 audit we plan to carry out extensive audit procedures regarding the risk of management override of controls (further detail is included on page 17). This will, by necessity, include obtaining an understanding of what action the Council has taken to assure itself that the issues raised in previous years have been addressed.

Local Government National Context – Local Audit Recovery

In addition to the specific issues identified in our previous disclaimers of opinion, we must start the process of recovering audit assurance more broadly following the impact of the backstop, with the 2024/25 financial year being the start of that recovery journey.

In line with the audits of other affected Councils, our initial focus for the audit will be on in-year transactions (including income and expenditure, journals, capital accounting, payroll and remuneration) and closing balances at 31 March 2025, in particular those closing balances which can be purely determined in isolation without regard to the opening balance (such as payables and receivables).

As a result, we anticipate that for 2024/25:

- We will have no assurance over the opening balances, with the exception of the Council's cash balances at 31 March 2024, which we intend to substantively test.
- We will have no assurance over the closing reserves balances also due to the uncertainty over their opening amount.

We are in discussion with the NAO and the Financial Reporting Council (FRC) as to how we regain assurance, and we will work with the Council to rebuild assurance over time.

Previous years' audits (continued)

Background to the audit of Nottingham City Council

The Audit Committee are aware of the historic issues which the Council has faced, including a Public Interest Report, Statutory Recommendations, S114 Notices, government intervention, and a number of complex accounting issues alongside multiple changes at senior officer level. These events and issues have formed part of our audit planning considerations for 2024/25 and will influence the work to be carried out in certain areas of the audit, as well as being factored in when setting our materiality thresholds. A high-level summary of key events considered as part of planning the 2024/25 audit is as follows:

- August 2020 We issued a Public Interest Report on the Council's governance arrangements relating to Robin Hood Energy (RHE). The company entered liquidation in September 2020.
- December 2020 Following the demise of RHE, and the subsequent rapid review (the Caller report), ministers announced the appointment of an Improvement and Assurance Board to work with the Council and report on progress made against an agreed recovery plan.
- March 2021 We issued our opinion on the 2018/19 financial statements.
- September 2021 Substantive audit work commenced in relation to the 2019/20 financial statements. During the course of this audit we identified significant issues regarding management override of controls, PPE valuations, and the preparation of the Council's group accounts. There were also errors and evidence gaps in the work we attempted in relation to journal entries, the Housing Revenue Account, operating expenditure, accounts payable, grants, and cut-off testing. Please see further details on page 10.
- December 2021 S114 Notice issued regarding unlawful Housing Revenue Account breach.
- December 2022 The Council commissioned a controls assessment report to consider the strength of controls across key areas of the Council's financial control environment. This was undertaken with the understanding that if evidence of weaknesses was identified a further forensic review would be undertaken. We reported our concerns to both management and the Audit Committee, that the scope of the review was not sufficient given the questions that had been raised.
- May 2023 EY reported the results of their independent review, which highlighted several key observations relating to ineffective audit trails, high levels of issues in sample items, and a high risk of controls being circumnavigated through management override. We will consider subsequent action taken by management as part of our audit procedures for 2024/25.
- November 2023 S114 Notice issued as the Section 151 Officer determined that the Council's expenditure in the 2023/24 financial year was likely to exceed the resources available to meet that expenditure.
- February 2024 We issued Statutory Recommendations in relation to financial sustainability. Government advised that the Secretary of State would appoint Commissioners to the Council.
- September 2024 We held discussions with senior management and stakeholders to agree a way forward regarding the outstanding financial years' audits in the context of the new backstop arrangements. We reported our Audit Findings for the 2019/20 financial year to the Audit Committee.
- December 2024 We issued disclaimers of opinion for the audits of each of the 2019/20, 2020/21, 2021/22 and 2022/23 financial years. Specific issues arising from the 2019/20 audit were referred to in the opinions for all years, as assurance had not been gained that these had been addressed.
- February 2025 We issued a disclaimer of opinion on the accounts for the 2023/24 financial year. Again, this included reference to the specific issues identified in the 2019/20 audit.

As detailed on page 9 it is positive that the Council's financial statements have been brought up to date. We will look to work with the Council to regain assurance over the transactions and balances in the financial statements going forward, with the 2024/25 financial year being the start of that recovery journey. This will not be without its difficulties. The Council has not been through a 'normal' audit cycle for an extended period, and the significant staff turnover in recent years will present additional challenges. We are committed to working closely with the Council and promptly escalating any emerging issues in accordance with the escalation policy outlined on page 50. The planning for our 2024/25 audit has been completed in the absence of assurance over the actions taken by the Council to address the issues identified in 2019/20. Any actions taken by the Council will be reviewed and challenged as part of our audit process.

2 Introduction and Headlines

Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Nottingham City Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Nottingham City Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's and Group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Presumed risk of fraud in revenue recognition
- Risk of fraud in expenditure recognition
- Valuation of land and buildings (including council dwellings)
- Valuation of investment properties
- Valuation of the net pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of a number of subsidiaries including Nottingham City Homes Limited, Nottingham Ice Centre Limited, Nottingham City Transport Limited and Bridge Trust.

Materiality

We have determined planning materiality to be £11m (PY £10m) for the Council and £12m (PY £11m) for the Group. This equates to equates to 1% of your forecast gross operating costs for the year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.550m (PY £0.5m) for the Council and group.

Audit logistics

Our planning visit has taken place from January 2025 and our final visit will start in July 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £645,200 for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input. Note that the proposed fee for the prior year is £160,000, reduced from the scale fee of £603,891 due to the unusual circumstances of the backstop, and subject to PSAA approval.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

The Accounts and Audit (Amendment) Regulations 2024 require the Council to publish draft financial statements for the 2024/25 year by 30 June 2025, and audited financial statements by 27 February 2026. We have resourced the audit for the period from 30 June 2025 to 30 November 2025, in order to allow time to conclude appropriately on any issues identified during our audit procedures ahead of the backstop date.

The Council is planning to publish its draft accounts ahead of the 30 June deadline. Our expectation in a normal year would be that the draft financial statements are supported by a full suite of working papers suitable for the commencement of our audit. We anticipate that this may not be wholly possible for the Council this year.

In preparation for the final accounts audit we have shared a working paper request list with the Council's finance team, and have requested that they provide us with expected dates that each working paper will be provided so that we can use this to inform the planning of our audit delivery. We have not yet received all of this information.

Any delays in the provision of supporting working papers, or any issues with the quality of the working papers provided, are likely to lead to delays in the audit process, and may limit the amount of work that we are able to complete.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified several risks of significant weakness. Further detail is provided in section 7 of this report.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Prior year recommendations

A number of recommendations from prior years were reported to the November 2024 Audit Committee. Due to the proximity of this reporting, we will follow up recommendations as part of our 2024/25 financial statements audit and report progress within the Audit Findings Report.

3 Identified risks

Significant risks identified

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.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Management override of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>The Council faces external scrutiny of its financial position, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>The Council continues to face local staffing issues, with significant use of interim staff including at senior levels of the organisation, and in particular within the finance team and individuals responsible for the preparation of the financial statements.</p> <p>In addition, in previous audits, we were unable to establish whether management override of controls was the cause of a breach of the Housing Revenue Account ('HRA') ringfencing requirement in 2019/20 and prior years, and whether other similar instances of non-compliance with laws and regulations or management override of controls could have occurred. We have not yet gained assurance that these matters have been resolved and as such this has been factored into our risk assessment, as any errors resulting from such override could be both material and pervasive to the current year's financial statements.</p> <p>We have therefore identified management override of controls, in particular journals and management estimates, as a risk requiring special audit consideration, in part due to the presumed risk set out in ISA (UK) 240, but in part due to the specific circumstances at the Council.</p>	<p>We will obtain an understanding of the actions the Council has taken in order to address issues raised in prior years' audits, including but not limited to:</p> <ul style="list-style-type: none"> Utilising our own internal experts within our audit risk assessment and planning; Assessing any follow-up work that management have undertaken (including any externally commissioned work) to assure themselves that the underlying issues in the Council's control environment that were previously identified have been appropriately addressed. As part of this assessment we will use internal experts where we deem it necessary; Consider any changes made to the Council's and Group's control environment as a result of any such reviews. <p>In addition, we will:</p> <ul style="list-style-type: none"> Evaluate the design effectiveness of management controls over journals; Analyse the journals listing and determine criteria for selecting high risk and unusual journals, incorporating our knowledge and understanding of the historic issues and weaknesses at the Council, as well as themes arising across the sector; Test high risk and unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; Gain an understanding of the accounting estimates and judgements made by management and consider the reasonableness with regard to corroboratory evidence; and Evaluate rationale for any changes in accounting policies, estimates of significant unusual transactions.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Our risk assessment has been performed in the context of the issues identified in the previous years' audits, as discussed on page 10. At the time of completing our initial planning, we do not have sufficient assurance that the underlying issues in the Council's control environment that were identified during our 2019/20 audit have been addressed. In combination with the Council's budgetary pressures we consider that these may create opportunity and incentive for revenue to be overstated.</p> <p>The presumed risk may be rebutted where there is not considered to be a risk of material misstatement, for example, where revenue streams consist of simple transactions. We have identified the main distinct revenue streams of the Council and have completed a risk assessment of each of these.</p> <p>The underlying nature of certain of the Council's revenue streams is straight-forward, such as income from council tax, business rates and housing rents. We consider it appropriate to rebut the presumed risk in relation to these simple revenue streams.</p> <p>For more complex revenue streams we do not consider that rebuttal of this risk is appropriate. These streams include grant revenues where there are conditions attached to the grant funding, and fees and charges revenue, which comes from a variety of sources and can be for a wide variety of services. For these revenue streams we consider that there is a significant risk of material misstatement in the occurrence of revenue transactions, as well as in the accuracy of how transactions are recorded between the Council's funds.</p>	<p>Where the risk has been rebutted we do not consider this to be a significant risk for the Council, although audit procedures will still be carried out to gain sufficient appropriate assurance that the revenue streams are not materially misstated.</p> <p>For revenue streams where we have been unable to rebut the presumed risk we will:</p> <ul style="list-style-type: none"> • Update our understanding of the Council's system for accounting for the revenues and evaluate the design of associated processes and controls, including consideration of any changes made to the Council's processes as a result of the issues identified in the control environment in previous years; • Evaluate the Council's accounting policies for the recognition of revenue for appropriateness and compliance with the Code and accounting standards; • Agree, on a sample basis, revenue and year end debtors and income accruals to invoices and cash receipts or other supporting evidence to gain assurance over the occurrence of the revenues; • Agree, on a sample basis, revenue recorded within the general fund to supporting evidence to gain assurance over the accuracy of the transactions recorded, and the appropriateness of their recognition in the general fund; and • Agree, on a sample basis, transactions that occurred in the period prior to and following 31 March 2025 to determine whether revenue is recognised in the correct accounting period. <p>We will keep our risk assessment and the rebuttal of the presumed risk under review throughout the audit to ensure this judgement remains appropriate.</p>

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions	<p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, 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>As set out on the previous page, our risk assessment has been performed in the context of the issues identified in the previous years' audits. When considering the risk of fraud within the Council's expenditure we have also considered the issues identified during our substantive testing of the Council's expenditure during the audit of the 2019/20 financial statements. Although this work did not identify any fraudulent expenditure, we were unable to obtain sufficient appropriate evidence over the Council's operating expenditure for 2019/20. Similarly to the risk identified in the Council's revenues, we consider that there is a risk that expenditure is understated.</p> <p>We have identified the main distinct expenditure streams of the Council and have completed a risk assessment of each of these.</p> <p>The underlying nature of certain of the Council's expenditure streams is straight-forward, such as the costs of the Council's payroll, housing benefit expenditure, precepts and levies. We therefore do not consider that there is a risk of material misstatement arising from these simple expenditure streams.</p> <p>For the remaining, more complex, expenditure streams we consider that there is a greater risk of manipulation that needs to be addressed through our audit procedures. These streams include other service expenditure and invoiced pay costs. We consider that this risk lies in the completeness of expenditure transactions, as well as in the accuracy of how transactions are recorded between the Council's funds, and between revenue and capital expenditure.</p>	<p>Where we have assessed that there is not a significant risk for the Council, audit procedures will still be carried out to gain sufficient appropriate assurance that the revenue streams are not materially misstated.</p> <p>For expenditure streams where we have assessed that there is a risk, we will:</p> <ul style="list-style-type: none"> • Update our understanding of the systems for accounting for both revenue and capital expenditure, and evaluate the design of associated processes and controls, including consideration of any changes made to the Council's processes as a result of the issues identified in the control environment in previous years; • Evaluate the Council's accounting policies for recognition of both revenue and capital expenditure for appropriateness and compliance with the Code and accounting standards; • Agree, on a sample basis, revenue expenditure and year end creditors and accruals to invoices or other supporting evidence to gain assurance over the accuracy of the transactions; • Agree, on a sample basis, capital expenditure and revenue expenditure funded from capital under statute (REFCUS) to invoices or other supporting evidence to ensure that it is appropriately treated; • Agree, on a sample basis, expenditure recorded in the Housing Revenue Account to supporting evidence to gain assurance over the accuracy of the transactions recorded, and the appropriateness of their recognition in the general fund; and • Agree, on sample basis, transactions that occurred in the period prior to and following 31 March 2025 to determine whether expenditure is recognised in the correct accounting period. <p>We will keep our risk assessment under review throughout the audit to ensure this judgement remains appropriate.</p>

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of land and buildings, including council dwellings	<p>Revaluations of property, plant and equipment should be performed with sufficient regularity to ensure that the carrying value is not materially different from the value reported at the end of the financial period. The Council revalues its land and buildings on a rolling basis.</p> <p>The revaluation represents a significant estimate by management due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>The risk will be pinpointed as part of our financial accounts work, once we have understood the population of assets revalued.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding over the business processes and controls in relation to the valuation of land and buildings, including consideration of any changes made to the Council's processes as a result of the issues identified in the control environment in previous years; • Evaluate the instructions issued by management to their management expert (a property valuer); • Write to the valuer to confirm the basis on which the valuation was carried out; • Assess the competence, capabilities and objectivity of the expert who carried out the valuation; • Test revaluations on a sample basis to corroborate accounting treatment and source data; • Evaluate assets not revalued in year and understand how management have satisfied themselves that the carrying value is not materially different to current value at year end; and • Assess how condition surveys have been considered as part of the valuation process for Council Dwellings.
Valuation of Investment Property	<p>Revaluation of investment properties should be performed every year, in line with the requirements set by the code of practice for local government accounting (the applicable financial reporting framework).</p> <p>The revaluation represents a significant estimate by management due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions, including whether asset has been correctly classified as an Investment property.</p> <p>The risk will be pinpointed as part of our financial accounts work, once we have understood the population of assets revalued.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding over the business processes and controls in relation to the valuation of investment property, including consideration of any changes made to the Council's processes as a result of the issues identified in the control environment in previous years; • Evaluate the instructions issued by management to their management expert (a property valuer); • Write to the valuer to confirm the basis on which the valuation was carried out; • Assess the competence, capabilities and objectivity of the valuer who carried out the valuation; and • Test revaluations on a sample basis to corroborate the accounting treatment and source data and assumptions, including the classification of the assets, and assumptions about future rental yields.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of the net defined benefit liability	<p>The net pension liability as reflected in the balance sheet represents a significant estimate in the financial statements due the size of the numbers involved and the sensitivity of the estimate due to changes in key assumptions.</p> <p>The method applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuary firms in line with the requirements set by the code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk due to the methods and models used in the calculation.</p> <p>The source data used by the authorities to produce the IAS 19 estimate is provided by administering authorities and employers. We do not consider this to be a significant risk as is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated liability.</p> <p>An IFRIC 14 assessment may also be required by the council. This will be reviewed upon receipt of draft financial statements.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding over the business processes and controls in relation to the valuation of the Council's net defined benefit liability; • Evaluate the instructions issued by management to their management expert (an actuary); • Assess the competence, capabilities and objectivity of the actuary who carried out the valuation; • Assess the accuracy and completeness of the information provided by the Council to the actuary; • Test the consistency of the pension fund asset, liability and disclosures in the financial statements with the actuarial report; • Undertake procedures to confirm the reasonableness of the actuarial assumptions; and • Obtain assurances from the auditor of Nottinghamshire Pension Fund as to 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's financial statements.

Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Adequacy of the Council’s disclosures relating to Going Concern	<p>A s114 notice was issued by the Council’s Chief Finance Officer and S151 Officer in November 2023. This stated that, in their opinion, the Council was unable to meet its statutory requirement to deliver a balanced budget for 2023/24.</p> <p>Under the auditor’s additional powers and duties outlined in section 24 of the Local Audit and Accountability Act 2014, we issued a statutory recommendation on 9 February 2024 due to the seriousness of the Council’s financial position and depleting reserves.</p> <p>The Council has received confirmation that the minister is minded to approve a capitalisation direction to support the Council’s financial position, but no such direction has been received at the time of writing this report.</p>	<p>We will:</p> <ul style="list-style-type: none">• Obtain management's going concern assessment and evaluate the method used by management to assess the Council’s and Group’s ability to continue as a going concern;• Evaluate the relevance and reliability of the underlying data used by management to make their going concern assessment;• Evaluate the assumptions on which management's going concern assessment is based by determining whether there is adequate support for those assumptions;• Evaluate management's plans for future actions in relation to its going concern assessment, including determining whether the outcome of these plans is likely to improve the situation and whether management's plans are realistic in the circumstances; and• Coordinate this element of our financial statements audit with our financial sustainability work under our VFM audit objectives.

“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.” (ISA (UK) 315)

Other risks identified (continued)

Risk	Description	Planned audit procedures
IFRS 16 implementation	<p>IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions). See page 8 for further information.</p> <p>This is a major change from the requirements of IAS 17 in respect of operating leases and a new accounting policy implemented in 2024/25.</p>	<p>Our work will include assessing:</p> <ul style="list-style-type: none"> Accounting policies and disclosures; Application of judgment and estimation; Processes to ensure all leases are captured, including the identification of peppercorn rentals and arrangements with no consideration; and Systems to capture the process and maintain new lease data and for ongoing maintenance calculations of lease liabilities and corresponding right of use assets.
Cash and cash equivalents	<p>The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the statement of financial position.</p> <p>At the time of writing this Audit Plan, we are awaiting clarification from the Council regarding a bank reconciliation difference which is being investigated.</p> <p>We will update our risk assessment upon receipt of management's explanation, but due to the significance of cash transactions to the Council, we have identified the completeness, existence and accuracy of cash and cash equivalents as a risk requiring audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Agree all period end bank balances to the general ledger, cash book and bank reconciliation; Review all reconciling items and agree a sample of these to appropriate corroborative audit evidence; Obtain confirmation of the Council's bank balances directly from its banking counterparties; and Consider bank reconciliations following the year end, and review the reconciling items contained within them.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

4 Group Audit

Group audit scope and risk assessment

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

At the time of issuing this Audit Plan, we have completed an initial risk assessment based on the prior year financial information for the group. Based on this information, we anticipate the Council consolidating the results of the following entities: Nottingham City Homes Limited; Nottingham Ice Centre Limited; Nottingham City Transport Limited; and Bridge Estate Trust. The Council is expected to be the only entity that is significant to the group.

We anticipate that upon receipt of draft financial statements for 2024/25 we will be required to update this risk assessment. As such we will report the detail of our planned group audit approach to the Audit Committee meeting on 25 July 2025.

Involvement in the work of component auditors

The detail of our planned group audit approach, which we will report to the Audit Committee meeting on 25 July 2025, will include detail of any procedures to be performed by component auditors.

In order to use the work of any component auditor, we will require the ability to access relevant component auditor documentation to complete our group audit. The nature, timing and extent of our involvement in the work of component auditors will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditors audit documentation and meeting with appropriate members of management.

We will also require that any component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.

If we are unable to secure access to a component auditor's working papers we will report the impact of such impediments on the audit of the group financial statements.

Where a member of the Grant Thornton International network is involved, we will communicate to them your policy on non-audit services. You will ensure that each component entity within your group is aware of your policy.

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

5 Our approach to materiality

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.

Matter	Description	Planned audit procedures
01	Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"> We determine planning materiality in order to: <ul style="list-style-type: none"> establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements assist in establishing the scope of our audit engagement and audit tests determine sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"> An item may be considered to be material by nature when it relates to instances where greater precision is required.
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"> We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
04	Matters we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none"> We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council and Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.550m (PY £0.500m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality (continued)

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.

	Council Amount	Group Amount	Qualitative factors considered
Materiality for the financial statements	£11.0m	£12.0m	<p>As the Council is a net spending body, the users of the financial statements are more likely to be interested in how the Council is spending its resources, therefore we determine our materiality threshold based on the benchmark of the gross operating expenditure. A materiality of £11.0m equates to approximately 1% of budgeted expenditure for the Council for 2024/25.</p> <p>In setting our materiality threshold, we have considered user expectations, our knowledge of the Council and the level of risk. A threshold of 1% is a significant reduction from previous years' audits, to reflect the heightened risk for the 2024/25 audit.</p>
Performance materiality for the financial statements	£5.5m	£6.0m	<p>Audit testing is carried out using a lower level of materiality, known as performance materiality. Performance materiality is used to determine the nature, timing, and extent of audit procedures and is calculated as a % of headline materiality.</p> <p>In setting performance materiality we have considered a number of factors including the size of the Council and Group, the inherent risk and control risk associated with the financial statements, historical financial information and financial performance of the Council, including past errors and misstatements, the Council's internal control environment, and other areas such as changes in management.</p> <p>The performance materiality set for the Council and Group is low when compared to similar sized organisations. A lower performance materiality will lead to higher levels of audit work, and larger sample sizes across the Council's and Group's financial statements.</p>
Clearly trivial threshold	£550k		<p>This threshold has been set at 5% of the Council's materiality threshold, and reflects a level below which stakeholders are unlikely to be concerned by errors and uncertainties.</p>
Materiality for specific transactions, balances or disclosures relating to senior officers' remuneration	£10k		<p>We believe these disclosures are of specific interest to the reader of the accounts and a lower level of materiality should apply, commensurate with the values reported in this disclosure.</p>



6 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle Fusion	Financial reporting	Roll forward approach, follow up on prior year audit findings, follow up and where required, carry out additional testing in relation to privileges users.
Active directory	Network	Roll forward approach, follow up on prior year audit findings, follow up and where required, carry out additional testing in relation to privileges users.

We are aware of an IT outage impacting the Council in March 2025. Further enquiries are being made in relation to any potential impact on the financial statements audit.

Our planned responses may be revisited and revised following consideration of any changes made to the Council’s processes as a result of the issues identified in the control environment in previous years. Any changes to planned procedures will be reported in the Audit Findings Report.

7 Value for Money Arrangements

Value for Money Arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



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.



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.



Risks of significant weakness in VFM arrangements



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

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.

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness until the point at which we sign the opinion on your financial statements and if further risks are identified, we will report these to those charged with governance as soon as is practicably possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Annual Report and included within our audit opinion.

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	<div>R</div> <p>Significant weakness in arrangements.</p> <p>Statutory recommendation made in February 2024.</p> <p>Key recommendations made in January 2025</p>	<p>The following new risks of significant weakness in arrangements have been identified as part of our 2024/25 planning procedures to date:</p> <ul style="list-style-type: none"> • Medium term financial planning and savings proposals (exceptional financial support of £41 million was agreed in principle for the Council in 2024/25. Another £25 million has been agreed in principle for 2025/26); • Planning and delivering capital projects, including the District Heat Network (there is slippage in the capital programme. The energy infrastructure project is RAG rated RED); • SEND and the alternative provision inclusion model (the Council is at risk of incurring a dedicated schools' grant deficit after the period of statutory override ends. The Council's current alternative provision model needs to be replaced). <p>The following risks of significant weakness in arrangements were identified in prior years and continue to be relevant for the 2024/25 financial year:</p> <ul style="list-style-type: none"> • Budgeting arrangements; • Staff recruitment and retention, including senior staff (some senior roles have been filled by temporary staff or are vacant. There were vacancies at lower levels across the Council as well). 	<p>We will review and consider:</p> <ul style="list-style-type: none"> • progress against all prior year recommendations; • medium term financial planning; • the terms of exceptional financial support; • trends around budget variances (the Council has been criticised for poor budgetary control in the past); • the granularity of savings proposals to bridge future budget gaps; • progress with recruiting permanent key team members both in the finance team and elsewhere in the Council; and • arrangements for managing the dedicated schools grant budget.

Risks of significant weakness in VFM arrangements (continued)

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

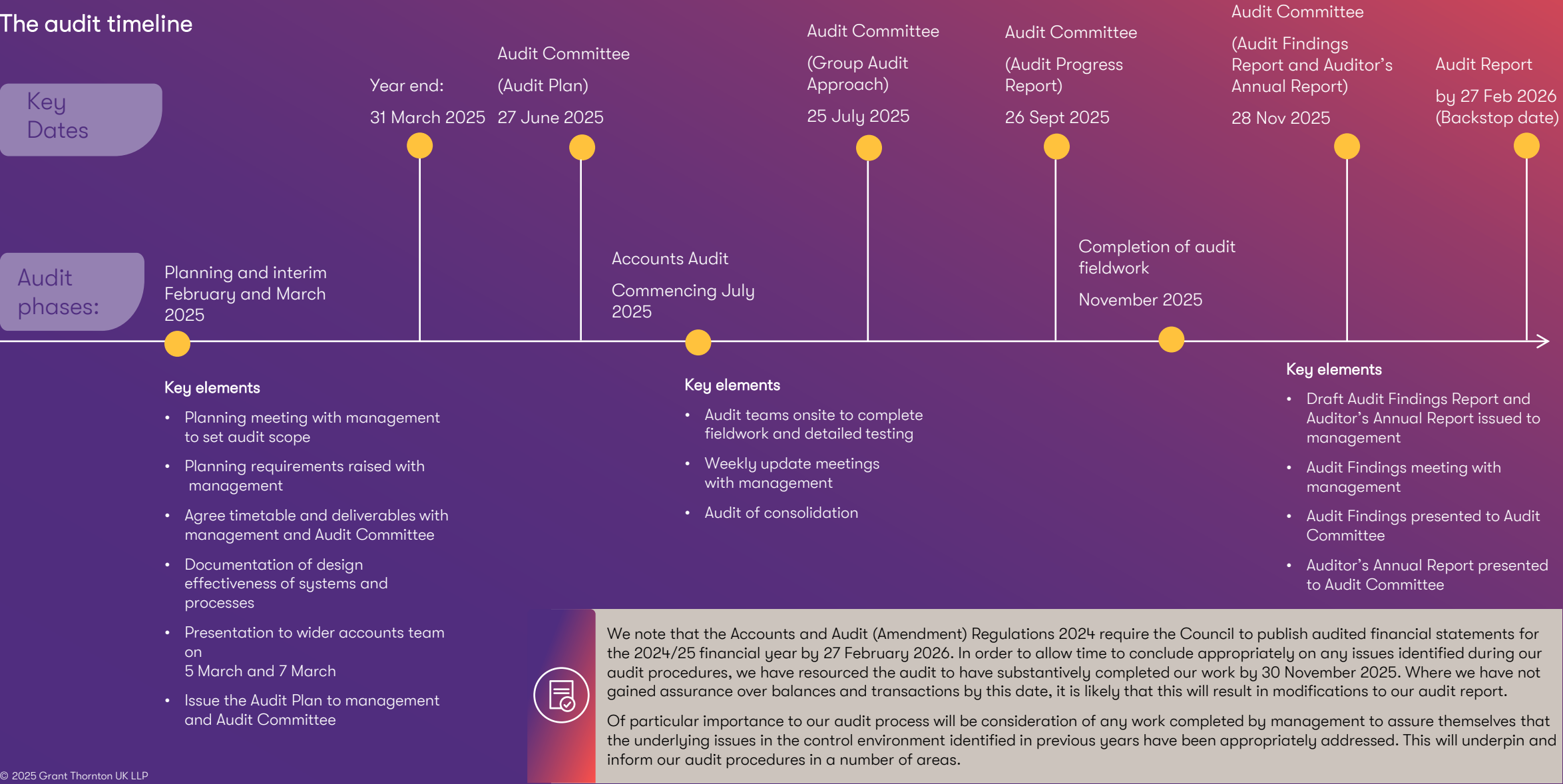
Risk assessment of the Council's VFM arrangements (continued)

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures
Governance	R	<p>Significant weakness in arrangements and key recommendations made</p> <p>The following risks of significant weakness in arrangements were identified in prior years and continue to be relevant for the 2024/25 financial year:</p> <ul style="list-style-type: none"> • Risk management (includes regularity and transparency of reporting top risks to the Audit Committee); • Internal audit resourcing (includes appointment of a permanent head of internal audit and resourcing of the team); • Statutory accounts and audit processes; • Governance over companies; and • Ongoing corrections of historic misappropriations between the Housing Revenue Account and the General Fund. 	<p>We will review and consider:</p> <ul style="list-style-type: none"> • progress against all prior year recommendations; • risk management training, reporting and appetite; • the effectiveness of the Council's internal audit service; • progress against 2024/25 accounts deadlines; and • the ongoing review of companies and their transactions.
Improving economy, efficiency and effectiveness	R	<p>A new risk of significant weakness in arrangements has been identified as part of our 2024/25 planning procedures to date:</p> <ul style="list-style-type: none"> • Sharing key performance indicators live dashboard with members. <p>The following risks of significant weakness in arrangements were identified in prior years and continue to be relevant for the 2024/25 financial year:</p> <ul style="list-style-type: none"> • Delivering on commissioner requirements for improvement; • Securing and maintaining standards in social housing (including responses to judgement from the Regulator for Social Housing in January 2025); • Procurement compliance (including checks on recent increases in waivers and exemptions) 	<p>We will review and consider:</p> <ul style="list-style-type: none"> • progress against all prior year recommendations; • action plans to address January 2025 findings from the Regulator for Social Housing; • latest trends around procurement waivers and exemptions; and • key performance indicator data shared with members.

8 Logistics

Logistics

The audit timeline



Our team and communications

Grant Thornton core team

Laurelin Griffiths
Engagement Lead/
Key Audit Partner

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

Mary Wren
Senior Manager

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

Elliot Baker
Audit Manager

- On-site audit team management
- Day-to-day point of contact
- Leading on the detailed audit work

Joanne Taylor
VFM specialist

- Lead delivery of VFM work
- Mai contact for VFM reporting

Pool of specialists and other technical specialists including IT audit and external property valuation experts.

	Audit reporting	Audit progress and service delivery	Technical support
Formal communications	<ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• The Audit Findings• Auditor’s Annual Report• Audit Opinion	<ul style="list-style-type: none">• Audit planning meetings• Audit clearance meetings• Communication of issues log• Client service review	<ul style="list-style-type: none">• Technical updates
Informal communications		<ul style="list-style-type: none">• Communication of audit issues as they arise• Regular meeting with S151 officer	<ul style="list-style-type: none">• Notification of up-coming issues

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

9 Fees and related matters

Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Nottingham City Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £645,200.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Previous year

PSAA set a scale fee for the 2023/24 audit of £603,891. Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for the 2023/24 audit year. We reported in the Audit Findings Report presented to the February 2025 Audit Committee a proposed final fee of £160,000 to cover the audit work that had been completed prior to the backstop date, including our planning and risk assessment work, our Value for Money assessment and the accounts audit areas set out above. This proposed fee is 26% of the scale fee set by PSAA, but this is still subject to PSAA approval.

	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Nottingham City Council Audit	£160,000	£645,200
Use of auditor’s valuation expert		TBC
Additional work required as a result of historic issues and findings		TBC
Additional work required as part of our VFM procedures		TBC
Total (Exc. VAT)	£160,000	£TBC

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Valuation experts in relation to property plant and equipment valuations, Council dwelling valuations and Investment property valuations
 - Experts in relation to financial instruments fair value reporting

The opinion for the 2023/24 audit (and the prior three financial years’) was disclaimed due to the imposition of a backstop date, and additional historic issues. As such, we may need to undertake further audit work in respect of opening balances and historic issues . We will discuss the practical implications and any potential fee impact of additional work as soon as practicable.

10 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, and managers). In this context, there are no matters that we are required to report.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council or Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or Group, or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council or Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council or 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 Council or Group’s board, 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 at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following table sets out the non-audit services charged from the beginning of the financial year to March 2025, 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 council’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 Nottingham City Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest s identified.

Other non-audit services			
Service	£	Threats Identified	Safeguards applied
CFO insights	£19,167 (£30,000 for the period 1 March 2023 to 28 February 2026) <i>2024/25 financial year - £10,000</i> <i>2025/26 financial year - £9,167</i>	Self-Interest Management Self-review	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 likely to be lower in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We are not taking any managerial responsibilities at the client. The scope of work does not include making decisions on behalf of management. The audit will consider the accounting treatment of all payments made and this is not part of the CFOi service. The work will be undertaken by a team independent to the audit team. This mitigates the perceived self-review threat to an acceptable level.
Total	£19,167		

Total audit and non-audit fee			
(Audit fee)	£645,200	(Non-Audit fee)	£19,167

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

11 Communication of audit matters with those charged with governance

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

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

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.

12 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

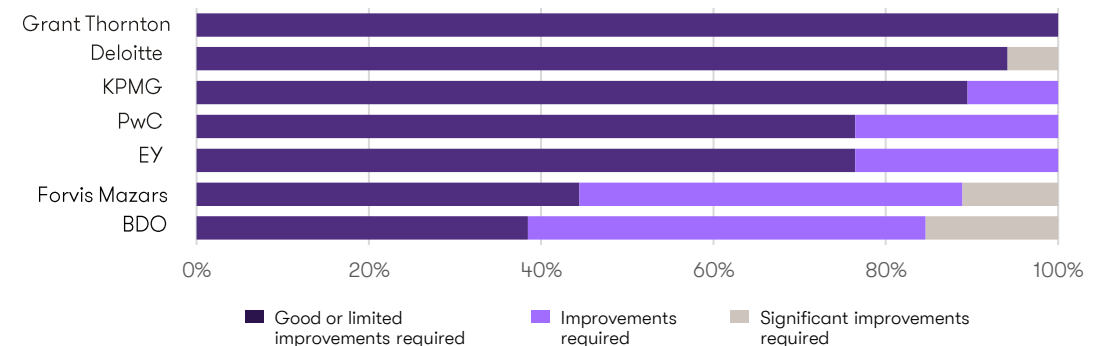
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection (for corporate audits)*
(% of files awarded in each grading, in the most recent report for each firm)



*note that this information relates to corporate audits only as no local audit data due to LG audit backlog

13 Appendices

Escalation Policy



The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

IFRS reporters

New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. 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.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters

Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

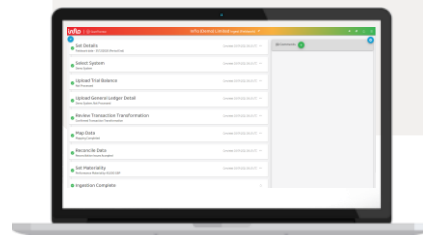


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

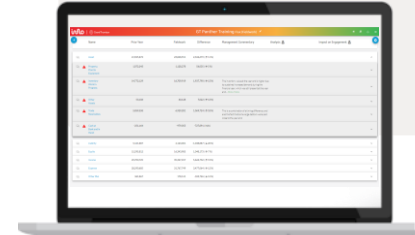


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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