Grant Thornton

The Audit Findings for Coventry City Council

Year ended 31 March 2024

Issued: 7 February 2025

Private and Confidential

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7 February 2025

Dear Members of the Audit and Procurement Committee

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Chair of the Audit and Procurement Committee and will be discussed with Members of the Committee at the meeting scheduled for the 17 February 2025.

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

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

Unfortunately, owing to the challenges of undertaking an audit where the previous audits were disclaimed due to the local authority backstop, and due to the limited time available since publication of the 2023/24 draft accounts on 29 November 2024, this year we have been unable to regain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. The limitations imposed by not having assurance on opening balances,and not having sufficient time to complete our work on in-year transactions and closing balances mean that we will be unable to form an opinion on the financial statements. We therefore anticipate that we will issue a disclaimer of audit opinion.

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

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

Andrew Smith

Partner
For Grant Thornton UK LLP

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

1. Headlines

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

Financial Statements

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

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

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

Because of the limited time between the draft accounts publication and the backstop date, our Audit Plan established the priorities for rebuilding assurance in 2023/24. We are close to completion in several areas of our audit work, with details provided on pages 9-11. We will continue our work in these areas in the interests of rebuilding assurance for future years audits.

Where audit work has not been concluded, we have highlighted the work undertaken to date, and any audit findings and recommendations.

The main areas on which we have been unable to start our work are as follows: opening balances brought forward from unaudited prior year accounts; property valuations; pension valuation; group transactions & balances, except for UKBIC cash & cash equivalents balance; closing balances, except for those closing balances listed on page 9.

Our findings from the work undertaken to date are summarised on pages 7 to 23. We have identified one adjustment to the financial statements that has resulted in a £0.793m unadjusted misstatement in the Council's Comprehensive Income and Expenditure Statement, with corresponding reduction in the value of heritage assets recognised on the Council's Balance Sheet. We have also identified several disclosure issues. Audit adjustments are detailed at Appendix D.

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

Unfortunately, as discussed with you previously, owing to the challenges of undertaking an audit where the previous audits were disclaimed due to the local authority backstop, and due to the limited time available since publication of the 2023/24 draft accounts on 29 November 2024, this year we have been unable to regain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. The limitations imposed by not having assurance on opening balances, and not having sufficient time to complete our work on in-year transactions and closing balances mean that we will be unable to form an opinion on the financial statements. We therefore anticipate that we will issue a disclaimer of audit opinion.

Our draft Audit Report is provided in a separate paper.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented at the meeting of the Audit and Procurement Committee on 29 January 2025. We identified a significant weakness in the Council's arrangements and so are not fully satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3). The significant weakness identified is in relation to the delayed accounts and audit timetable. A Key Recommendation was made, recommending that in 2024/25,the Council will need strong arrangements in place to ensure that it meets key deadlines which are due to progressively get tighter in the coming years. In addition to the Key Recommendation, four improvement recommendations were reported in the areas of: focusing on transformation plans to support budget gaps, improving forecasting of childrens needs becoming adult needs, improving formal reporting to the Leadership Board on savings progress, procurement training.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We will not be able to certify the completion of the audit when we give our opinion due to changes in the National Audit Office's procedures for the Whole of Government Accounts.
Significant matters	We experienced significant difficulties in reaching conclusion of our audit due to prior year disclaimed opinions, and the limited time available following publication of the draft accounts and the backstop date.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances in those areas discussed with you as being priorities for regaining assurance in 2023/24.

Conclusion

As highlighted in page 3 of this report, unfortunately it will not be possible for us to undertake sufficient work to conclude our work. We therefore plan to issue a disclaimer of the audit opinion. The draft wording of our Audit Report is set out in the paper which accompanies this report.

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

Recognising the backstop date of 28 February 2025, we anticipate issuing our disclaimed audit opinion following the Audit and Procurement Committee meeting on 17 February 2025.

Outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 26 November 2024

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

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£11,700,000	11,000,000	This equates to 1.25% of the gross expenditure of the Council and group. We consider gross expenditure to be the most appropriate benchmark given the level of user interest in spend incurred. We have a applied a low percentage (1.25%) to the benchmark to reflect increased interest in the accounts due to the previous three years' accounts being unaudited and to reflect that the Council is a Public Interest Entity (UK PIE), due to its listed debt.
Performance materiality	7,605,000	7,150,000	After evaluating the Council's control environment, previous findings, and the years since our last full audit, we have established performance materiality at 65% of the financial statements' materiality. This level of performance materiality helps in assessing the risks of material misstatement and guides the planning of additional audit procedures to minimise the likelihood of uncorrected and undetected misstatements exceeding the overall financial statement materiality.
Trivial matters	585,000	550,000	The trivial level has been calculated as 5% of materiality for the financial statements. We view any matters below this threshold as inconsequential, whether considered individually or collectively. Any misstatements exceeding these values will be reported to you.
Materiality for senior officer remuneration	-	-	Due to public interest, we use specific audit procedures for senior officer remuneration disclosures. We focus on detecting errors with precision and request revisions if needed. The materiality of any errors identified will be considered on a case-by-case basis due to the sensitive nature of these notes and user interest in this area.

2. Financial Statements: Rebuilding assurance – progress against 2023/24 priorities

Our intention is that over time we will re-build assurance in respect of prior years across all backstopped audits, taking account of guidance from the National Audit Office and the Financial Reporting Council. In our 2023/24 Audit Plan we agreed with you that we would focus your audit on the following areas in advance of the backstop date. Our progress and relevant findings are set out below.

Priority identified in our Audit Plan	Commentary	Findings
Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment	Our risk assessment and evaluation of the control environment procedures included: • Understanding and documenting key business processes – completed • Understanding and testing design implementation of controls relevant to significant risks – completed with exceptions, refer to page 22. • IT audit, including review of design and implementation of IT general controls – completed, refer to page 20. • Understanding the basis for significant accounting estimates – completed with exceptions, refer to page 19.	Refer to pages referenced to the left.
Audit of closing balances as at 31 March 2024	Testing of the following closing balances has been started: • Cash & equivalents for the Council and UKBIC, including bank overdrafts– close to completion • Short term and long-Term debtors – this testing is not sufficiently complete to report our findings in this report, updates will be provided in 2024/25 • Short term creditors this testing is not sufficiently complete to report our findings in this report, updates will be provided in 2024/25 • Short term investments - close to completion • Long-term and short term borrowings- testing in areas except PFI are close to completion • Grants received in advance- close to completion Testing completed is limited in scope to exclude assurances on opening balances, due to the disclaimed opinions in prior years.	No relevant findings to report.

2. Financial Statements: Rebuilding assurance – progress against 2023/24 priorities

Risks identified in our Audit Plan	Commentary	Findings
Audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing	Testing of the following areas of 2023/24 income and expenditure has been started: • Fees, charges and other service income– further work required, with relevant finding • Interest and investment income- close to completion • Income from council tax - close to completion • Income from non-domestic rates- further work required • Government grants and contributions- close to completion • Employee benefits expenses - this testing is not sufficiently complete to report our findings in this report, updates will be provided in 2024/25 – refer to comments on page 21 • Other service expenses- close to completion • Revenue expenditure funded from capital under statute (REFCUS) - close to completion • Interest payments – close to completion • Precepts and levies – close to completion • Cut off of expenditure around the year end date – close to completion • Cut off of income around the year end date – further work required Within the constraints that we do not have assurance over opening balances, and due to limitations on time due to the backstop date, we have not started work in the following areas of income and expenditure: Depreciation, amortisation and impairment; loss on disposal of assets; loss on revaluation of financial instruments.	We have a recommendation to make in relation to controls around recognising schools' income. Please refer to appendix B.
Testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance)	We have tested that the MiRS and Cash Flow Statement are internally consistent with other areas of the accounts. – close to completion Due to the limited time available, we have not completed our audit of the group MiRS and Cash Flow Statement.	No relevant findings to report.

2. Financial Statements: Rebuilding assurance – progress against 2023/24 priorities

Risks identified in our Audit Plan	Commentary	Findings
Testing of journals within 2023/24	We have tested journals in 2023/24 as set out on page 12.	Refer to page 12
Recognising the sensitivity of cash, including the opening cash position as at 1 April 2023	This testing is not sufficiently complete to report our findings in this report, updates will be provided in 2024/25.	No relevant findings to report.
Financial statements disclosure	We have completed an extensive review of the accounts and highlighted disclosure issues to management. • We have tested the senior officers' remuneration (including pension contributions) note, and the exit packages note – with relevant findings to report - close to completion We have started testing the collection fund statement with no relevant findings to report – close to completion	Disclosure issues which are significant enough to warrant your attention are set out in Appendix D.

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of controls - in particular through journals, group consolidation adjustments, management estimates, and transactions outside the normal course of business - as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have not been able to conclude our work in the following areas, due to backstop date time constraints : • evaluate the design effectiveness of management controls over group consolidation adjustments- close to completion • test significant consolidation adjustments made to arrive at group account balances • test the appropriateness of journals which relate to property, plant & equipment • consider the reasonableness of the accounting estimates and critical judgements with regard to corroborative evidence • conclude on the accounting for the UKBIC long term debtor which represents a significant transaction **Findings:** Lack of journal authorisation control: There is no authorisation process for journal postings in the finance system. The control environment relies on budgetary processes (i.e. management account review) and access controls, which do not fully compensate for the lack of authorisation controls. We recommend the Council introduce an automated authorisation control designed to ensure segregation of duty with regard to journal postings. We recommend authorisation privileges are limited to appropriate finance managers. We first raised this issue in our 2020/21 Audit Findings Report, issued 13 November 2024. This recommendation is reported in Appendix C- Follow up of prior year recommendations. Access controls to group ledger The group consolidation working papers are kept on a shared drive which can be accessed by all members of the corporate finance team, there is therefore a risk that this could be edited in error and there is an increased risk of fraudulent financial reporting. We have raised recommendations in Appendix B.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of land and buildings and investment properties These valuations represent a significant estimate by management in the financial statements due to the size of the balances involved (£605m land & buildings; £323m investment properties as at 31 March 2023), and the sensitivity of this estimate to changes in key assumptions. Within the other group entities, further material land and buildings are held. Under FRS 102, (the accounting basis on which the other group entities prepare their financial statements) these assets are held at depreciated historical cost. In preparation of the group accounts, the Council is therefore required to obtain a valuation compliant with the IFRS-based CIPFA Code and make appropriate consolidation adjustments for the asset balance and revaluation movements. We therefore identified valuation of land, buildings, and investment properties, particularly revaluations and impairments, as a significant risk of material misstatement, and a key audit matter.	We have: • evaluated management's processes and controls for determining the estimate We have not been able to conclude our work in the following areas, due to backstop date time constraints, and lack of assurance on opening balances: • evaluate management's assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuer's reports and the assumptions that underpin the valuations • test revaluations made during the year to see if they have been input correctly into the Authority's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end Findings: No issues to report.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of pension fund net asset/liability The pensions net asset/liability, as reflected in the balance sheets of both the Council and group as the "net defined benefit asset/liability" represents a significant estimate in the financial statements due to the sensitivity of the estimate to changes in key assumptions, and due to the size of the balance and remeasurements involved (£614.7m net liability at 31 March 2022 reducing to £25.2m net liability at 31 March 2023). For 2023/24, the Council's actuaries have determined a net surplus on the pension fund for the first time. In this situation, further accounting consideration is required under IFRIC 14 in relation to asset ceiling caps. The methods applied in the calculation of the IAS19 estimate are routine and commonly applied by all actuarial firms in line with the requirements of the CIPFA Code. We have therefore concluded that there is not a significant risk of material misstatement due to methods and models used. The source data used by the actuary to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. 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 increases, and life expectancy) can have a significant impact on the estimated balance. 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 actuarial calculation, and due to the application of IFRIC 14 for pension funds in surplus.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls We have not been able to conclude our work in the following areas, due to backstop date time constraints, and lack of assurance on opening balances: • evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of West Midlands Pension Fund (WMPF) as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the WMPF and the fund assets valuation in the WMPF financial statements. • Test the accounting for the fund surplus and application of IFRIC 14. Findings: No issues to report.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Accounting for the Group and the valuation of Long-Term Investments Over recent years, the Council has increased the number and value of interests it has in associated companies. In addition to the companies which are assessed as forming part of the Council's group, the Council also has a material interest in Birmingham Airport Holdings Limited. In its single-entity accounts, the Council has elected to report the value of these long-term investments at the balance sheet date at Fair Value. This is allowable under the CIPFA Code, which permits either Fair Value accounting or historical cost accounting. The Fair Value method requires a valuation of each company at the balance sheet date. The Council instruct external experts to, in some cases, determine appropriate valuations, or in other cases, to issue an opinion on the Council's in-house determination. The valuation of long-term investments is considered a significant estimate due to the size of the balance involved (£122.3m at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions For the group accounts, the Council is required to assess the level of control or significant influence it has over its company interests and apply the appropriate accounting treatment. For companies where the Council has control, these are consolidated into the group accounts line-by-line; for entities where there is joint control or significant influence, the interest is accounted for using the equity method. The Council has both types of interest. Group accounting has further complexities where the accounting policies and accounting frameworks are different to those of the group. This is the case for the majority of the Council's interests. The Council must apply adjustments to the financial information reported by the group entities prior to inclusion in the group accounts. We therefore identified valuation of the Council's long-term investments; and the accounting for the group as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter	To address the risk of group accounting we have: • updated our understanding of the processes and controls put in place by management to ensure that group accounting is not materially misstated and evaluated the design of the associated controls – close to completion • reviewed the Council's assessment of its group boundary, that is the entities included within the Council's group accounts • tested the mathematical accuracy of the consolidation of the group accounts– close to completion We have not been able to conclude our work in the following areas, due to backstop date time constraints, and lack of assurance on opening balances: • test the consolidation adjustments made in producing the group accounts for completeness and accuracy To address the risk relating to the valuation of long-term investments, we have: • updated our understanding of the processes and controls put in place by management to ensure that the long-term investments are not materially misstated and evaluated the design of the associated controls We have not been able to conclude our work in the following areas, due to backstop date time constraints, and lack of assurance on opening balances: • evaluate the instructions issued by management to their management experts for this estimate and the scope of the experts' work • assess the competence, capabilities and objectivity of the experts who carried out the valuations • assess the accuracy and completeness of the information provided by the Authority to the experts to estimate the fair values • engage our own valuer to assess the instructions issued by the Council to their valuers, the scope of the Council's valuers' reports and the assumptions that underpin the valuations • test the consistency of the values and disclosures in the notes to the core financial statements with the valuation report from the experts **Findings:** No issues to report.	Group and Council

2. Financial Statements - Other risks

This section provides commentary on other risks that were previously communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Liabilities for Equal Pay Claims Equal pay claims can have a highly material impact on a Council's expenditure and balance sheet. If it becomes probable that the claims will settled in the claimant's favour a charge to revenue is made and a liability in the form of a provision is recognised on the balance sheet. Where there is a possibility greater than remote, but it is judged to be improbable that claims may be settled in the claimant's favour, a contingent liability disclosure is required instead. The Council has received claims in respect of Equal Pay. Due to the process being currently at an early stage, it's management's view that there is no reliable assessment of the validity, potential success or value of any claims at this stage.	We have • continued to discuss developments in relation to equal pay claims with management and the Audit and Procurement Committee • reviewed management's assessment of the probability of the claims being successful and the estimation of any associated liabilities • tested the basis for related accounting treatment and disclosures • considered all relevant events up to the date of this report We have not been able to conclude our work in the following areas, due to backstop date time constraints, • reviewed the legal advice the Council has received regarding the issue We will: • continue to consider all relevant events up to the date point of signing our audit opinion and, if significant events are identified, consider management's judgement as to whether these are adjusting events or non adjusting events. Findings: No issues to report.	Group and Council

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

Due to the time constraints imposed by the backstop date, limited procedures have been carried out in respect of transactions and balances brought into the group accounts from the Council's companies. Those areas where conclusions have been reached are set out in the table below, in line with the priorities we discussed with you for rebuilding assurance:

Component	Findings	Group audit impact
UK Battery Industrialisation Centre Limited (UKBIC)	Testing of the Cash & cash equivalents balance at 31 March 2024 was carried out. There are no relevant findings to report	none

Also refer to page 19 for our further consideration of transactions between the Council and UKBIC.

2. Financial Statements: key judgements and estimates

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

Significant estimate	Detail	Commentary and Assessment
Property valuations	including: Investment Property, £301.809m (group: £293.097m) ; Surplus Assets £7.922m (group: same) ; Other land & buildings - £678.483m (group: £713.687m)	We have identified the key estimates made by management in the accounts. We have updated our understanding of how management make the estimate, and are satisfied the process in each case is reasonable, except for: - We have not concluded our assessment on estimates made in the group-only accounts - We have not completed our work on the process undertaken for those financial instruments where judgement has been made by management that the carrying value equates to the fair value We have not tested the calculation of the 2023/24 estimates nor the underlying assumptions due to time limitations imposed by the backstop date and disclaimed opinions on opening balances. For these reasons, we are unable to conclude that the estimates are free of material misstatement.
Net Pensions Liability valuation	£35.393m (group: same)	
Depreciation charge	£25.543m (group: £33.845m)	
Fair values of financial instruments	Including those held at fair value: Equity investments £124.783m ; Cash equivalents £15.000m ; Long term Debtors £3.625m ; And those financial instruments where carrying amount is not fair value, but fair value is disclosed in the financial instruments note.	
Provisions	£27.944m (group: same)	
Impairment allowance for bad debts	Including short term debtors impairment allowance: £37.383m and long-term debtors impairment allowance: £0.988m	
Minimum Revenue Provision (MRP)	£18.036m	

2. Financial Statements: key judgements and estimates

Significant judgement	Summary of management's approach	Audit Comments	Assessment
£18m repayment agreement with UKBIC Limited	Management's judgements are set out in note 5.3 of the accounts. This note has been expanded following audit recommendations. In summary, the Council's accounts recognise a long-term debtor from UKBIC limited to cover amounts which were borrowed by the Council from West Midlands Combined Authority with the purpose of financing capital expenditure on the UKBIC project. The debtor is accounted for as a series of soft loan advances. The capital expenditure is judged to be the principal advanced to UKBIC. The equipment purchased is provided to UKBIC limited under a lease agreement and peppercorn rent is charged.	Our work on the judgement is not concluded due to time limitations imposed by the backstop date. We have held discussions with management and reviewed relevant evidence, including the indemnity and guarantee agreement in place, the lease agreement, and the loan agreement. The unresolved issues which we have posed to management for consideration include: - There is contradictory evidence in the UKBIC company accounts and in communications with UKBIC as to whether they accept liability for the £18m. The arrangement is reported as a contingent liability in the company accounts, suggesting the company's view is that this is only a possibility i.e. it is neither probable nor reasonably certain that the company will settle the amounts involved. This is not in line with the Council's judgement that a fixed liability has been created for UKBIC. UKBIC's position on this matter has been further expressed in an accounting paper shared with us where they reiterate that "the loan is in Coventry City Council's name and UKBIC are only a guarantor" . - The above issue also raises concerns there may be future disputes over whether UKBIC is liable to settle. - The Council's judgement that capital expenditure on the scheme relating to equipment is provided to UKBIC under a finance lease does not appear to be reciprocated in UKBIC's accounts, the value of assets on UKBIC's balance sheet is far smaller than the value of assets let by lease. (c£4m versus £73m) - The Council's judgement refers to assets transferred being accounted for as a peppercorn lease, but also that £18m of them is judged to be the principal advanced in recognition of a soft loan debtor, our initial view on this is that these cannot co-exist: either the cost of the assets to UKBIC is peppercorn, or the cost of the assets to UKBIC is £18m. - The Council is 100% shareholder of UKBIC, and we would therefore expect alignment of accounting, or demonstratable understanding and oversight of the company's accounting and discrepancies. We have made recommendations as such in Appendix B. There is a risk that if the Council's companies are incorrectly accounting for transactions, there could be tax liabilities to the group which are not provided for, and other regulatory consequences.	Unresolved

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas**.** For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report which was brought to the Audit Procurement Committee meeting on 26 November 2024.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Resource Link (payroll)	Design and implementation	🟢	🟢	🟢	🟢	N/A	N/A
CareDirector (social care-adults)	Design and implementation	🟡	🟢	🟡	🟢	N/A	N/A
Capita (revenues and benefits)	Design and implementation	🟢	🟢	🟢	🟢	N/A	N/A
Business World Unit 4 (financial ledger)	Design and implementation	🟢	🟢	🟢	🟢	Relevant to all risks	Findings relating to the Council's use of generic/shared accounts was incorporated into our testing of journals
ContrOCC (social care-childrens)	Design and implementation	🟢	🟢	🟢	🟢	N/A	N/A

Assessment
- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements / significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: Digital Audit

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

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

Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	1 May 2024	13 September 2024	
Opening trial balance for 2023-24	13 September 2024	13 September 2024	The Council delivered the required data in line with the agreed revised audit timeline. Given the delayed production of draft accounts, this was later than a typical audit year.
Closing trial balance for 2023-24	19 November 2024	25 November 2024	
All general ledger transactions during 2023-24	6 November 2024	6 November 2024	The payroll report was received later than hoped. Due to the sensitive information contained in the report, management undertook due care in confirming adequate controls were in place for the transfer of data. We expect this process will not experience the same delays in future years.
Mapping between the trial balance and the financial statements for 2023-24	1 May 2024	2 December 2024	
Draft accounts for 2023-24	30 June 2024	2 December 2024	
Payroll report	18 September 2024	9 January 2024	

2. Financial Statements: Internal Controls

Transaction cycle	Assessment	Effectiveness of the system of internal control	Basis of assessment	Relevant findings
Property valuations		Designed effectively, with no control deficiencies identified.	Documentation and assessment of the business process, understanding the basis of the accounting estimate, and the design effectiveness and implementation of internal controls.	
Valuation of company investments		Designed effectively, with some control deficiencies identified.	Documentation and assessment of the business process, understanding the basis of the accounting estimate, and the design effectiveness and implementation of internal controls. Incidental findings from other procedures.	Upon review of management's rationale for including the Council's investment in UKBIC at nil valuation, we found the basis of the judgement to be a valuation report received from BDO in 2021. The report highlighted that the valuation was based on latest information and disclaims judgement for events after the date of issue. We requested an updated paper from management which took account of events after the valuation report. Our work in this area is not concluded. We have raised a recommendation in Appendix B.
Group Accounting		Our work in this area is not complete due to time limitations imposed by the backstop date		
Cash and cash equivalents		Designed effectively, with no control deficiencies identified.	Documentation and assessment of the business process and the design effectiveness and implementation of internal controls.	
Non- pay expenditure and creditors		Designed effectively, with no control deficiencies identified.	Documentation and assessment of the business process and the design effectiveness and implementation of internal controls.	

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported.

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
UKBIC indemnity & guarantee arrangement	Refer to page 19 for commentary	Refer to page 19 for auditor view. **Management response** Refer to Appendix B for management's response to the recommendations made.
Potential equal pay liability	Refer to page 16 for commentary	Refer to page 16 for auditor view. **Management response** Management is satisfied that the relevant treatment in the accounts is appropriate, but acknowledge that the auditors have not been able to complete their review due to time constraints.
Prior year adjustments identified	Upon review of the group accounts, and in particular note 4.11 Consolidated Breakdown of Reserves we queried a group adjustment affecting the capital adjustment account for amount £55.212m which we considered to be unusual. Management investigated the issue and determined that both an in-year adjustment and a prior period adjustment should be made between the capital adjustment account and group income and expenditure reserve.	**Auditor view** Due to time limitations imposed by the backstop we have been unable to conclude our work in this area, so we are unable to provide assurances that the adjustment made is accurate and complete. **Management response** Management is satisfied that the relevant treatment in the accounts is appropriate, but acknowledge that the auditors have not been able to complete their review due to time constraints.

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Procurement Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed, however our work in this area is incomplete due to time constraints imposed by the backstop date.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is set out in Appendix G.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and treasury partners and to UKBIC's banking partners. This permission was granted and the requests were sent. Confirmations were received for all the Council bank accounts, confirmations were not received by this report date for UKBIC and two schools. Where confirmations were not received, alternative procedures were carried out to verify the balances disclosed.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies and financial statement disclosures. Our review of disclosures found reportable issues, refer to Appendix D. Our evaluation of significant accounting estimates is incomplete due to time constraints imposed by the backstop date
Audit evidence and explanations	Due to time constraints imposed by the backstop date, we have received insufficient evidence and explanations to issue an unqualified audit opinion.

2. Financial Statements: other communication requirements

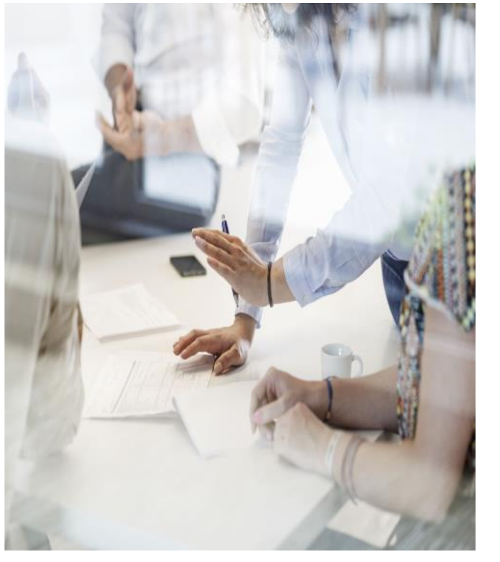
Our responsibility

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

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

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements that we have audited, or our knowledge obtained in the audit or otherwise appears to be materially misstated. Due to not completing our audit, we anticipate we will issue a disclaimer of opinion on this matter.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters, except: We have reported a significant weakness to you in respect of the arrangements to secure value for money – refer to page 28
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We note that work is not required as the Authority does not exceed the specified group reporting threshold of £2 billion.
Certification of the closure of the audit	We cannot formally conclude the audit and issue an audit certificate for Coventry City Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report which has already been presented at the meeting of the Audit Procurement Committee on 29th January 2025.

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

The significant weakness we identified is detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
The significant weakness identified is in relation to the delayed accounts and audit timetable.	We updated our knowledge of the Council's progress against the prior year key recommendation in this area.	Draft accounts for 2021/22, 2022/23 and 2023/24 have now been published, meaning that the Council has caught up compared to the prior year. However, in all cases, the original due dates were missed. Timescales for unaudited and audited accounts going forward will need to be complied with.	A Key Recommendation was made, recommending that in 2024/25,the Council will need strong arrangements in place to ensure that it publishes unaudited accounts by 30 June 2025 and to support the external audit processes that allow for publication of audited accounts by 27 February 2026. The Council will need to be mindful that 30 June will remain the deadline for publishing unaudited accounts until the end of 2027/28, but that the deadline will then move forward to 31 May. The deadline for publishing audited accounts will move progressively forward. For 2025/26, the deadline will be 31 January 2027. For 2026/27 and the years thereafter, the deadline will be 30 November. All Local Authorities will be required to comply with the new arrangements, which will require planning to prepare for.

4. Independence considerations

As we are Statutory Auditors of the Council in the United Kingdom ("UK"), we are required to follow International Standard on Auditing (UK) 260, the Ethical Standard (December 2019) issued by the UK Financial Reporting Council (the "FRC Ethical Standard" or "The Standard") that are relevant to this engagement.

We have determined that Coventry City Council is a public interest entity and therefore the relevant requirements of the FRC Ethical Standard have been applied and have been included in this letter.

All the above referenced Standards require that we communicate at least annually with you regarding all relationships between Grant Thornton UK LLP in the UK ("Grant Thornton UK") and other Grant Thornton firms and associated entities ("Grant Thornton") and covered persons (as defined in the FRC Ethical Standard) and the Council, its directors and senior management and its affiliates ("the Group") that, in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity. In this context, we have no matters to report to you

We understand that the auditors of the group companies (the component auditors) also provide non-audit services to the companies. According to the FRC Ethical Standard for public interest entities, these services are prohibited. Since the parent company, Coventry City Council, is a public interest entity, we, as group auditors, cannot use the work of the component auditors to form the group opinion. We confirm to you that we did not involve the component auditors in the formation of our audit opinion.

We have received confirmation that PwC, as our external expert in relation to the pension liability, is independent.

70% non-audit fee cap for public interest entities

Once the Financial Reporting Council's Ethical Standard is applied to the fourth accounting period, the permitted level of non-audit fees for that period cannot exceed 70% of the three-year average audit fees for preceding periods. Due to backstop limitations on work carried out in previous periods, the audit fee for those periods is significantly lower than originally planned. This would have an impact on the non-audit services that we would be able to provide to you. Grant Thorton applied for exemption on this matter to the FRC given the unusual circumstances of the backstop. The exemption was granted.

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

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

Details of fees charged are detailed at Appendix E.

Transparency

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

4. Independence considerations

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the 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 group or investments in the group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the group's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

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

4. Independence considerations

Audit and non-audit services

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

	21/22	22/23	23/24	Threats identified	Safeguards
Audit-related:					
Certification of Teachers Pension Return	£7,500	£10,000	£12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the annual fee for this work is low in comparison to the total planned annual 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.
				Self-review (because GT provides audit services)	To mitigate against the self-review threat, we carry out the certification work after the audit has been completed wherever possible. Errors identified have not been and are not expected to be material. The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	£70,000	£106,150	£143,487	Management (because GT report to Teachers Pensions/DWP)	Any changes to subsidy payable will be determined by Teachers Pensions/DWP and we have no involvement in the decision. These factors mitigate the perceived threats to an acceptable level.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Procurement Committee.

None of the services provided are subject to contingent fees.

Other threats to independence and safeguards

No other threats to independence have been identified.

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
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 including support measures when making the going concern assessment	•	•
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	•	•
Details of any breaches of the requirements in this Ethical Standard, and of any safeguards applied and actions taken by the firm to address any threats to independence	•	•
Details of any inconsistencies between this Ethical Standard and the policy of the entity for the provision of non-audit/additional services by the firm and any breach or apparent breach of that policy	•	•
Key audit partners involved in the audit		•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Methodology used to perform the current year's audit and details of any substantial variation between system and compliance testing from the previous year		•
Quantitative level of materiality determined and qualitative factors considers in its determination		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant deficiencies in internal control identified during the audit and whether that deficiency has been resolved by management		•

Our communication plan	Audit Plan	Audit Findings
Significant difficulties encountered during the audit		•
Significant matters arising in connection with related parties		•
Other matters that are significant to the oversight of the financial reporting process		•
Confirmation of independence of external experts or other auditors used as part of the audit		•
Valuation methods employed and impact of changes to methods		•
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		•
Confirm all requested explanation and documents have been provided		•
Distribution of tasks amongst auditors where more than one auditor has been appointed		•
Identify work performed by component auditors outside of the GTIL network in relation to consolidated financial statements		•
Scope of consolidation and compliance with financial reporting framework		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

Our Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings Report is issued prior to approval of the financial statements and presents key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

We have identified five recommendations for the group and Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Audit trail in relation to schools' income & classification- In the context of schools' income, they receive funds from the Council and other external sources. To determine the income to be recorded in the CIES for schools, management compares the trial balances from the schools to payments made by the Council and records the difference as income. For 2023/24, we identified this amount to be £8.073m. However, there is a risk due to the lack of a clear audit trail for external income received by schools, which means there is no confirmation that the balancing figure truly represents external income, and whether it should all be classified as fees and charges income (as it currently is in note 3.6),or should be split into various classifications of income.	We suggest implementing controls to verify that the balancing amount credited to income accurately represents true external income for schools and is classified correctly in the accounts. Additionally, a transactional breakdown of the amounts credited should be provided for auditing purposes. **Management response** The process for consolidating external income for schools into the Council's accounts will be reviewed. If it is identified that changes are required to accurately reflect the nature of this income then these will be implemented.
High	Group accounts- consistent financial reporting We have highlighted issues on page 11 where there appears to be mismatched interpretations of significant transactions between the Council and UKBIC. The Council is the 100% shareholder of UKBIC, and we would therefore expect the Council to ensure alignment of accounting; or demonstrate full understanding and oversight of the company's chosen accounting and discrepancies. There is a risk that if the Council's companies are incorrectly accounting for transactions, there could be tax liabilities to the group which are not provided for, and other regulatory consequences.	We recommend the Council reaches consensus with UKBIC on the nature of the transactions entered into for the £18m arrangement and the transfer of assets under lease. Where valid accounting differences exist, these should be understood and verified by the Council and demonstrated to the auditor. **Management response** The Council will continue to work with UKBIC to ensure that there is consensus regarding the substance of the agreement, and are committed to working with the auditor to demonstrate that the impact of any differences in accounting standards are adjusted for appropriately during the consolidation of the Council's Group Accounts.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	Valuation of long-term investments in companies Upon review of management's rationale for including the Council's investment in UKBIC at nil valuation, we found the basis of the judgement to be a valuation report received from BDO in 2021. The report highlighted that the valuation was based on latest information and disclaims judgement for events after the date of issue. We requested an updated paper from management which took account of events after the valuation report. Our work in this area is not concluded.	We recommend the Council revise their valuation assessments for long term investments in companies at each year end, setting out relevant events, conditions and judgements made. **Management response** The Council will include details of relevant events, conditions and judgements made within its annual valuation of Long-Term Investments.
Medium	Access controls to group ledger The group consolidation working papers are kept on a shared drive which can be accessed by all members of the corporate finance team, there is therefore a risk that this could be edited in error and there is an increased risk of fraudulent financial reporting.	We recommend that access to these workings, particularly the double entry consolidation adjustments and intra-group adjustments are restricted to the appropriate individuals. **Management response** We will work with the auditors to clarify the risks that these proposed control measures are seeking to address, and consider whether they would be effective and proportionate in addressing those risks, and whether they could be mitigated through alternative means.
Medium	IT audit findings report We draw your attention to the recommendations made in our separate IT audit findings report, which was presented to the Audit and Procurement Committee at the 26th November 2024 meeting.	Please refer to our separate IT audit findings report for recommendations and management responses.

Controls

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

C. Follow up of prior year recommendations

We identified the following issue in our 2020/21 partial audit of the Council and group's financial statements, as reported in our 2020/21 Audit Findings Report. We have followed up on the implementation of our recommendation as set out below:

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Lack of journal authorisation control: We found that there is no authorisation process for journal postings in the finance system. The control environment relies on budgetary processes (i.e. management account review) and access controls, which do not fully compensate for the lack of authorisation controls. This presented a heightened opportunity risk for fraud. We recommended the Council introduce an automated authorisation control designed to ensure segregation of duty with regard to journal postings. We recommended authorisation privileges are limited to appropriate finance managers	**Management response November 2024:** 'This recommendation has been made in the 2020/21 Audit Findings Report that is being taken to the Audit and Procurement Committee alongside the 2023/24 Audit Plan. The Council will consider this recommendation in due course.' **Management response Updated:** We will work with the auditors to clarify the risks that these proposed control measures are seeking to address, and consider whether they would be effective and proportionate in addressing those risks, and whether they could be mitigated through alternative means.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below.

1. Group adjustment identified – current year and prior year

Upon review of the group accounts, and in particular note 4.11 Consolidated Breakdown of Reserves we queried a group adjustment affecting the capital adjustment account for amount £55.212m which we considered to be unusual. Management investigated the issue and determined that both an in-year adjustment and a prior period adjustment should be made between the group capital adjustment account and group income and expenditure reserve.

Auditor view

Due to time limitations imposed by the backstop we have been unable to conclude our work in this area, so we are unable to provide assurances that the adjustment made is accurate and complete.

Management response

Management is satisfied that the relevant treatment in the accounts is appropriate, but acknowledge that the auditors have not been able to complete their review due to time constraints.

D. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
UKBIC indemnity and guarantee There were several references to the long term debtor agreement between the Council and UKBIC as an 'indemnity and guarantee agreement' throughout the accounts.	We recommended that the wording is amended to make the nature of arrangement clear and prevent any likely misinterpretation that the arrangement equates to a financial guarantee, rather than fixed repayment obligation. Management response Management have agreed to adjust the accounts for this issue.	✓
CIES presentation The CIPFA Code requires that the specific line items that make up the other comprehensive income and expenditure should be disclosed on the face of the CIES, in the draft accounts these were presented separately in a disclosure note.	As a primary statement it is important that requirements are met. We recommended the CIES is updated. Management response Management have agreed to adjust the accounts for this issue.	✓
Related Parties note 3.10 it was noted that the RPT note 3.10 was pulling through incorrect figures (22/23 figures instead of 23/24 in respect of interest income and dividends.	The note should be updated to bring in the correct 2023/24 figures. Management response Management have agreed to adjust the accounts for this issue.	✓
Heritage assets- donated additions £1.5m heritage asset recognition was selected in our fees and charges testing, we found that a) fees and charges is not an appropriate classification for the income b) one asset was on loan to Coventry and was not owned by Coventry c) there was a duplicate addition- resulting in unadjusted misstatement of £1.556m misclassified income for (a), and £0.793m overstated income for (b) and (c)	We have accumulated the unadjusted error in the unadjusted misstatements table which follows this table. Management should consider the classification issue in future accounts. Management response As the amount is not material to the accounts, no adjustment is proposed in 2023/24.	X
Note 3.17 Non operational assets The disclosure requirements for investment property classed as level 2 in the fair value hierarchy were not met, including the basis for the level 2 valuation was not described.	We have recommended management enhance the disclosures to meet the requirements. Management response Management have agreed to adjust the accounts for this issue.	✓

D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 3.26 Other Funds The Cipfa Code requires that trust funds and other third party funds administered by the Council are disclosed in this note. We identified that in addition to meeting these requirements, the Council also included Section 106 monies, which did not meet the criteria for disclosure under these requirements.	We recommended the S106 monies were removed from the note so as to not obscure the purposes of the disclosure. **Management response** Once the S106 monies were removed from the note, the remaining balances are not material, so the note has been removed from the accounts.	✓
Note 3.32 Officers Remuneration There were four employees reported as earning over £150k in the remuneration banding table which we identified as unusual and we sought to understand the accuracy of the note. Management reviewed the relevant legislation against the notes made in the accounts and identified errors in the compilation of the note, in that employer pension contributions had been included in the remuneration totals contrary to requirements. This affected the 2023/24 figures and the comparator figures for 2022/23.	We recommended the notes are updated as required. Management have made corrections which have not been audited due to limited time available due to the backstop date. **Management response** Management have agreed to adjust the accounts for this issue.	✓
Note 3.34 Financial Instruments The Council hold £15m of Money Market Funds within Cash and Cash equivalents that are measured at Fair Value through Profit and Loss (FVTPL). The measurement basis of FVTPL does not appear to meet the Code definition of a cash and cash equivalent as being 'readily convertible to a known amount of cash'..	We recommend that the Council re-assess whether the funds meet the definition of cash and cash equivalents and FVTPL. **Management response** Management have reviewed the accounting treatment and confirmed they are satisfied with no adjustment required. The audit team has not had sufficient time to consider management's updated review.	N/A
Note 3.34 Financial Instruments Inconsistencies have been identified between the figures reported in the financial instruments note and the subsequent fair value tables which highlighted omissions from the fair value hierarchy analysis. The fair value analysis did not include £37.185m of financial assets measured at FVTPL or £77.064m of long-term debtors. Corresponding fair value hierarchy disclosure requirements were also not met.	We recommended management updates the disclosures. **Management response** Management have agreed to adjust the accounts for this issue.	✓
Note 3.37 Contingent Liabilities and Assets Note 3.37 refers to a contingent asset relating to grant funding held as a receipt in advance. The grant funding has been received by the Council, in advance of the conditions being met. As no further asset will be realised from this arrangement, whether conditions are retained or amended, the funding does not meet the Code definition of a contingent asset and we recommend that it is removed from Note 3.37.	We recommend that the contingent asset is removed from the Note 3.37 **Management response** Management have agreed to adjust the accounts for this issue.	✓

D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 5.2 Significant Assumptions made in estimating Assets and Liabilities The disclosures made in respect of estimation uncertainty in Note 5.2 do not meet all of the requirements of IAS 1, for example the values of assets affected by the uncertainty are not disclosed, and it is not clear which assumptions give rise to the uncertainty or how sensitive these are.	We recommended the note is updated to meet requirements. **Management response** Due to time limitations introduced by the audit backstop date, it has not been possible to include this analysis in the 2023/24 accounts. The recommendation will be considered in future years' statements of accounts.	X
Note 3.7 Analysis of Capital Grants The balance sheet refers to note 3.7 for capital grants received in advance, however the note 3.7 only shows capital grant income. A separate disclosure note is required for grants received in advance in both the Council and Group accounts.	A separate disclosure note is required for grants received in advance in both the Council and group accounts. **Management response** Due to time limitations introduced by the audit backstop date, it has not been possible to include this analysis in the 2023/24 accounts. The analysis will be included in future years' statements of accounts.	X
Note 3.5 Segmental Analysis The total income from fees and charges disclosed within the Segmental Analysis disclosure is inconsistent with the Fees, charges and other service income disclosed within Note 3.6. Management have confirmed that the column titled income from fees and charges in note 3.5 also contains interest and investment income.	We recommend that the column heading is updated to provide clarification. **Management response** Management have agreed to adjust the accounts for this issue.	✓
Note 3.6 Income and Expenditure Analysis REFCUS expenditure and changes in the fair value of investment properties and valuation movements have been included within the disclosure line for 'depreciation, amortisation and impairment'. We do not consider that these items fall in to this categorisation. We recommend that REFCUS expenditure is recategorised as 'other service expenses' and that the changes in fair value of investment properties and valuation movements should be presented as a separate line item."	We recommend that REFCUS expenditure is recategorised as 'other service expenses' and that the changes in fair value of investment properties and valuation movements should be presented as a separate line item. **Management response** Management have confirmed this also affects the prior year figures disclosed and have agreed to adjust the accounts for this issue.	✓

D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 3.16 Heritage Assets The CIPFA Code states that's "where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current". The Council carried out a full review of Heritage Assets during 2022/23.	We recommend that this review is disclosed within the accounts to demonstrate compliance with the Cipfa Code. **Management response** Management have agreed to adjust the accounts for this issue.	✓
Note 3.17 Non-operational assets The disclosure note states that "There are some property interests held under operating leases that the authority sub-lets", upon inquiry management have confirmed that the property leases interest are actually held under finance leases, not operating leases.	The disclosure should be amended. **Management response** Management have agreed to adjust the accounts for this issue.	✓
Note 3.36 Events after the Balance Sheet Date This note should be updated to reflect events up to the date of the auditor's report. To comply with code requirements the financial impact to the Council of the City Centre Cultural Gateway should be disclosed. If there is no significant impact then this should be stated. The 2024/25 Forecast Revenue Outturn position includes figures as at quarter 2, we recommend that these are updated to the quarter 3 figures in the final accounts to represent the current information available.	We recommend that this review is disclosed within the accounts to demonstrate compliance with the Cipfa Code. **Management response** Management have agreed to adjust the accounts for this issue.	✓
Group balance sheet- surplus assets A nil line on the group balance sheet and in note 4.6 was included for surplus assets, this was not accurate as a balance of £7.922m was reported for surplus assets within note 4.10.	Recommended to remove the nil balance lines. . **Management response** Management have agreed to adjust the accounts for this issue.	✓
Note 3.32 Exit packages Errors were identified in the disclosed amounts. The original exit packages note was overstated by £297k due to double counting of pension strain figures.	We recommended the disclosure is re-worked and presented to audit for checking. **Management response** Management have agreed to adjust the accounts for this issue.	✓

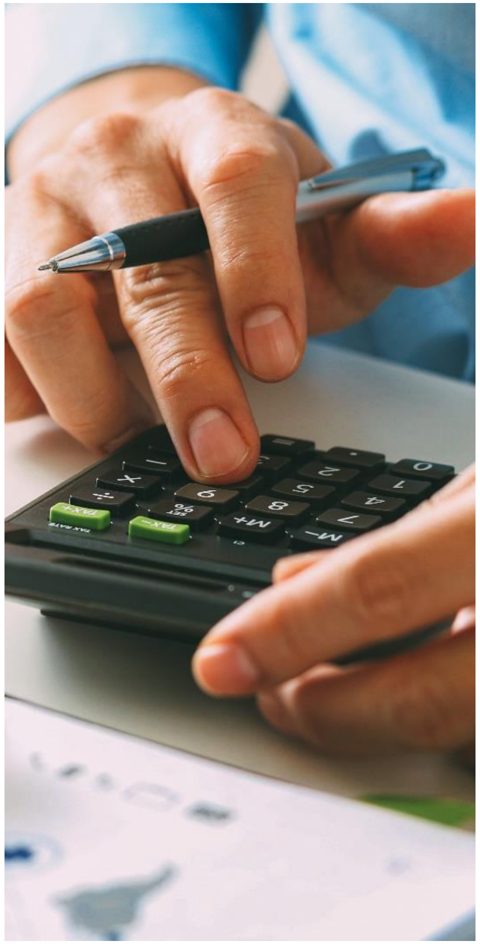
D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 4.10 Group Property, plant & equipment We identified that the totals on this note did not sum from the amounts in the table. Management identified an amount of £14.802m which had been omitted from the Additions line for Assets under construction.	A £14.802m adjustment to the note is required. **Management response** Management have agreed to adjust the accounts for this issue.	✓
Note 3.34 Financial instruments In our testing of investment balances we noted one investment, value £10m had been classified as being carried at fair value through profit and loss incorrectly. The investment was actually held at amortised cost due to being an investment which is solely payment of principal and interest.	A £10m adjustment to the note is required. **Management response** Management have agreed to adjust the accounts for this issue.	✓
Note 3.34 Financial Instruments The note referred to the cumulative loss on the pooled funds at 31 March 2024 of £3.579m. This was inconsistent with the MiRS entry and narrative report. Note 3.34 to be updated to £2.839m	A £0.740m adjustment is required. **Management response** Management have agreed to adjust the accounts for this issue.	✓
Note 3.29 Leases: Authority as a Lessor: Operating Leases – Management have made a prior year restatement, which was not disclosed in the draft accounts, to the 2022/23 figures disclosed The restatement has increased the minimum lease payments receivable in category "later than one year and not later than five years" and increased the total receivable by £29,437m	Any material restatement of prior year figures requires disclosure of the nature of the reclassification , reason for change and the amount of each item that is reclassified. We recommend management make the necessary disclosures. We have not audited the restatement due to time constraints imposed by the backstop date. **Management response** Management have agreed to adjust the accounts for this issue.	✓

D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 3.34 Financial Instruments Management have made a prior year restatement, which was not disclosed in the draft accounts, to the 2022/23 figures disclosed, increasing the amount disclosed for Long term debtors " included in financial instruments" and reducing long term debtors "other debtors" by £18.921m.	Any material restatement requires disclosure of nature of the reclassification , reason for change and the amount of each item that is reclassified. We recommend management make the necessary disclosures. We have not audited the restatement due to time constraints imposed by the backstop date. **Management response** Management have agreed to adjust the accounts for this issue.	✓
Notes 2.2, 3.1, 3.2, 3.3, 3.4, and 4.2 Correction of grant income categorisation We queried significant year-on-year movements in the accounts with management. Through this process, management identified a £28.8m adjustment required in the classification of covid-related grant income from the cost of services to general government grant income.	Management have updated the accounts for this issue We have not audited the adjustment due to time constraints imposed by the backstop date.	✓
Note 3.35 Associated Company Interests & Holdings This note contained draft financial positions for the Council's companies in the draft accounts. Management have updated the disclosure note for latest available financial information for the companies.	Management have updated the accounts for this issue We have not audited the adjustment due to time constraints imposed by the backstop date.	✓
Various other disclosure issues were discussed with management for amendment, which were not individually significant to bring to your attention.		

D. Audit Adjustments (continued)



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit and Procurement Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Heritage asset additions overstated - donated	793	(793)	793	nil	immaterial.
Overall impact	793	(793)	793	nil	

Impact of prior year unadjusted misstatements

As a disclaimed opinion was issued for years 2020/21 to 2022/23, there are no known unadjusted misstatements for these years to report.

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services. All amounts disclosed exclude VAT.

Audit fees	Proposed fee	Estimated final fee
Scale fee – 2023/24 Audit	£472,199	£277,450
ISA 315 fee variation	£12,550	12,550
Total audit fees (excluding VAT)	**£484,749**	**£290,000***

* £290,000 equates to 60% of the initial proposed fee, which reflects the stage of completion of the audit as at the end of January 2025. This includes our risk assessment & planning work, our VFM assessment plus the accounts audit areas reported on throughout this paper.

Audit fees for other years

In addition to the 2023/24 fees disclosed above, the following audit fees for other periods have been determined in the period 1st April 2023 to the date of this report.

For 2024/25, PSAA has set a scale fee of £510,656.

In 2022/23 and 2021/22, the scale fees set by PSAA were £143,564 for each year. Given the unusual circumstances of the backstop, and the issuing of disclaimer of opinions, we are awaiting a determination from PSAA as to the appropriate fee to be charged for these years. We estimate this will be £36,000 for 2021/22, and £31,000 for 2022/23.

In 2020/21, the scale fee set by PSAA was £133,564. After the setting of this scale fee, the scope of audit work increased through a combination of regulator and NAO requirements requiring a revised audit fee of £211,414, as reported in our 2020/21 Audit Plan. Given the unusual circumstances of the backstop, the level of work carried out on the audit, and the issuing of disclaimer of opinions, we are awaiting a determination from PSAA as to the appropriate fee to be charged for this year. We estimate this will be £211,414.

The final fee charged for 2019/20 was £353,464, as approved by PSAA and reported in our 2019/20 Audit Findings Report.

E. Fees and non-audit services

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Non-audit fees for other services	2021/22	2022/23	2023/24
Audit Related Services			
Certification of Housing Benefit Claims	£70,000*	£106,150*	£143,487*
Certification of Teachers Pension Returns	£7,500**	£10,000*	£12,500*
Total non-audit fees (excluding VAT)	**£77,500**	**£116,150**	**£155,987**

*fees were chargeable, either in full or in part, in the period 1st April 2023 to the date of this report
**fees were charged prior to 1st April 2023

Total audit and non-audit fee for 2023/24	
(Audit Fee) £290,000	(Non Audit Fee) £155,987

Management have made an adjustment to note 3.12 in the financial statements for the final 2023/24 audit fee to replace the initial proposed fee. The financial statements disclosure of audit fees now aligns with the fees above

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

This covers all services provided by us and our network to the group and 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.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes impact audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Coventry City Council - Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Coventry City Council and its subsidiary undertakings: Coventry Municipal Holdings Limited and UK Battery Industrialisation Centre Ltd; and its joint ventures and associates: The Coventry and Solihull Waste Disposal Company Limited, Friargate JV Project Limited and Sherbourne Recycling Limited for the year ended 31 March 2024.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and investment properties; the valuation of long term investments in companies; the valuation of the net defined benefit pensions liability; the valuation of financial assets and financial liabilities for the purposes of disclosing fair values; income and expenditure accruals; impairment allowances; provisions and contingent liabilities. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities include identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

v. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vi. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the group and Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the adjusted misstatements and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards, including the equal pay claims lodged against the Council.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

G. Management Letter of Representation

xiii. The prior period adjustments disclosed in *Note [X]* to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

xv. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xix. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2023/24 of 28 February 2025. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with all the required information for you to complete your audit for year ending 31 March 2024 by the statutory backstop date. This includes the following:

a. providing you with:

i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

ii. additional information that you have requested from us for the purpose of your audit; and

iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

b. communicating to you all deficiencies in internal control of which management is aware.

c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

i. management;

ii. employees who have significant roles in internal control; or

iii. others where the fraud could have a material effect on the financial statements.

e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xx. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxi. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Procurement Committee at its meeting on 17 February 2025

Yours faithfully

Signed on behalf of the Council

Grant Thornton