The Audit Plan for Coventry City Council

Year ending 31 March 2025

9 September 2025

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English Devolution White Paper

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

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

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

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

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

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to two-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We are expecting a full proposal by 28 November 2025.

Impact on Coventry City Council and our response

Until the full proposal is released, there remains uncertainty on the full impact the plans may have on Coventry City Council. The White Paper suggests an expansion of strategic authorities and mayoral powers, which could mean the Council will have less direct control over some policy areas and that funding is likely to shift away from the Council and into the control of the strategic authorities. The Council may need to further its efforts to work collaboratively with the West Midlands Combined Authority and other system bodies to influence regional strategy and secure resources for Coventry. In addition, the potential restructuring of neighbouring 2-tier local government bodies may change the landscape of who the Council's key partners will be, requiring the forging of new relationships. We will continue to monitor the progress made on the White Paper during the course of the audit and consider the Council's preparedness for any confirmed changes as part of our Value for Money work.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

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

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

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

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

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

Our Response

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

Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

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

Funding : Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

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

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

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

Our Response

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

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

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

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

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

Key developments impacting our audit approach (continued)

New accounting standards and reporting developments

- Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next page.
- The FRC issued revisions to ISA (UK) 600 'Audits of group financial statements (including the work of component auditors)'. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements strengthen the auditor's responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.

Our Response

- Detailed review of the authority's implementation of IFRS 16. More information can be found on the next page.
- Enhanced procedures in respect of audits of group financial statements

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Director of Finance.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
- We continue to offer a formal meeting with the Chief Executive twice a year, and with the Director of Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Procurement Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit and Procurement Committee with sector updates providing our insight on issues from a range of sources via our Audit and Procurement Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

IFRS 16 Leases

Summary

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

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

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

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

Systems and processes

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

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

Planning enquiries

We attended a meeting with officers responsible for IFRS 16 implementation in April 2025. The implementation was well-progressed and we discussed the audit evidence that should be retained to support judgements made. The initial recognition of right of use assets at 1st April 2025 is reported as £23.348m in the draft accounts, along with £1.6m additional lease liabilities. We will test these figures and disclosures as part of our final accounts work.

The Backstop

Local Government National Context – The Backstop

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

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

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

Local Government National Context – Local Audit Recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop.

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

- we will have limited assurance over the opening balances for 2024/25
- limited assurance over the closing reserves balance also due to the uncertainty over their opening amount.

We are in discussion with the NAO and the Financial Reporting Council (FRC) as how we regain assurance. We will work with the Council to rebuild assurance over time – refer to pages 11 – 13 for more information.

Our Work

Our initial focus for the audit will be on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances for 2024/25. Our objective is to begin a pathway to recovery, by providing assurance over the in year 2024/25 transactions and movements, where possible, and those closing balances which can be purely determined in isolation without regard to the opening balance, such as payables and receivables. As guidance is received from the NAO and the FRC, we will formulate a more detailed strategy as to how assurance can be gained on prior years – refer to pages 11 – 13 for more information.

Regaining assurance

Previous years' audits

Previous audits of the Council's financial statements have been protracted and challenging. Significant issues were identified during our 2019/20 audit, primarily relating to the accounting for property, plant and equipment and to the accounting for group entities. Tackling these issues meant that the 2019/20 audit was not concluded until October 2023 and the Council did not publish its draft 2020/21 accounts until 28 March 2024. Since that point, the Council has made efforts to bring financial reporting up to date. The subsequent draft account publication dates were as follows: 2021/22 in August 2024; 2022/23 in September 2024; and 2023/24 in November 2024.

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits, requiring audited financial statements to be published by certain dates. As a result of these backstop dates, a disclaimer of opinion was issued for each of the 2020/21, 2021/22 and 2022/23 financial years in December 2024, and a disclaimer of opinion was issued for the 2023/24 financial year on 27 February 2025.

2024/25 and future years

The Authority published its draft 2024/25 unaudited accounts on 30 June 2025. The Authority is required to publish audited financial statements for the 2024/25 financial year by 27 February 2026. As a result of the disclaimer of opinion issued for the previous four financial years, we do not expect to be able to undertake sufficient work to support an unmodified audit opinion on the 2024/25 financial statements in advance of the backstop date.

A major challenge for auditors in regaining assurance, and returning to an unqualified audit opinion, is that without undertaking audit work in respect of old year transactions, where these were not subject to audit procedures, there will be uncertainty as whether reserves have been properly accounted for.

The National Audit Office (NAO) has published a new set of guidance for auditors, as part of its Local Audit Reset and Recovery Guidance (LARRIG) series. This sets out key considerations that may assist auditors in regaining assurance at previously backstopped audits.

Regaining assurance (continued)

2024/25 and future years (continued)

The LARRIG provides principles as well as indicative procedures which, with the application of professional judgement, enable the auditor to regain assurance in respect of opening balances. These include a framework for auditors to:

- Assess risk at an entity wide level
- Assess risk at a line-item level including in respect of specific balances and reserves
- Determine a response to risk, including appropriate testing of prior year transactions.

For many authorities a reasonable pathway exists through the application of the auditing standards to where the auditor may issue an opinion that is based upon sufficient appropriate audit evidence. The guidance is clear that the timeframe in which this may be achieved may vary depending on the circumstances of individual engagements. It is also clear that there may be authorities where it may not be possible to recover assurance solely through the application of the auditing standards.

The first priority at all audited bodies which have previously been backstopped is to gain assurance regarding in-year transactions and closing balances for the current audit year. This is the approach which we will adopt over the coming months for your audit for 2024/25. If we were to continue to complete planned work on in-year transactions and closing balances, with no issues arising, over the coming years we could regain assurance over many balances and transactions in the financial statements. The exception being the Authority's reserves balances. We set out on the next page a simplified illustration of how this assurance might build.

The Council has received grant funding of £145,948 under a Section 31 Grant Determination to support the build-back of assurance. The government has set out its expectation that local authorities and audit firms work closely together to enable this build back to happen. We are currently piloting an approach at other local authorities which is intended to remove the disclaimer from future audit reports.

Timely preparation of draft accounts and high quality supporting working papers is fundamental to the success of audit closedown. We look for all local authorities to prioritise this in enabling the sector to return to balance. In addition, agreeing timescales for build-back work will also be key.

Regaining assurance (continued)

R	No assurance
A	Partial assurance
G	Adequate assurance

The below is a simplified illustration of how assurance might build over the coming years' audits:

2024/25 audit process

	23/24	24/25	
CIES	A	A	Testing of 23/24 CIES started in 23/24 audit.
PPE	R	A	Assurance gained over valuations at 31/03/25
Pensions	R	A	Assurance gained over 2025 actuarial process
Other assets & liabilities	R	A	Elements may require >1 year to gain assurance
Reserves	R	R	No assurance over reserve balances at 31/03/24

2025/26 audit process

	24/25	25/26	
CIES	A	G	No assurance over the opening 24/25 position
PPE	A	A	Assurance gained over valuations at 31/03/26
Pensions	A	G	Triennial valuation of WMPF completed and reported
Other assets & liabilities	A	G	Assurance over all material balances at 31/03/26
Reserves	R	R	No assurance over reserve balances at 31/03/24

2026/27 audit process

	25/26	26/27	
CIES	G	G	Assurance over transactions in both years
PPE	A	G	Assume rolling valuation programme complete
Pensions	G	G	Assurance over balances at both year-ends
Other assets & liabilities	G	G	Assurance over balances at both year-ends
Reserves	R	R	No assurance over reserve balances at 31/03/24

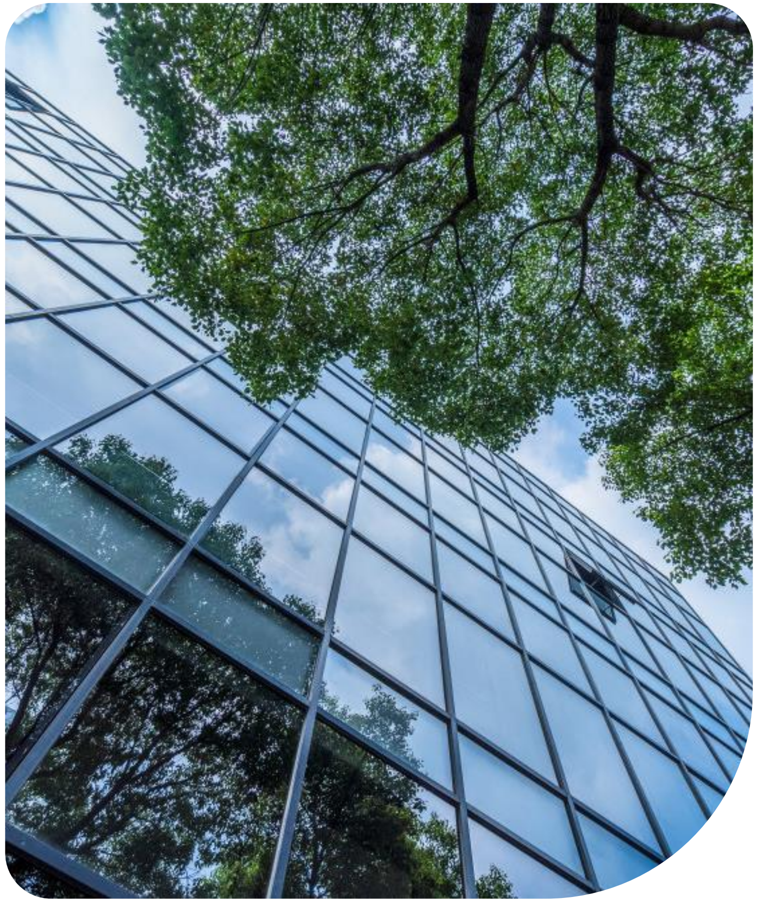
Reserves balances

The Authority is required to present its reserves balances in a prescribed manner, with distinct balances arising from statutory requirements and ringfences. These reserves are complex, and have no audit assurance for four years. These factors significantly increase the risk of material misstatement within the Council's reserve balances.

We will discuss with the Director of Finance how re-assurance can be best achieved at your authority, including the appropriate timing of further audit work.

02 Introduction and Headlines

Introduction and headlines



Purpose

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

Respective responsibilities

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

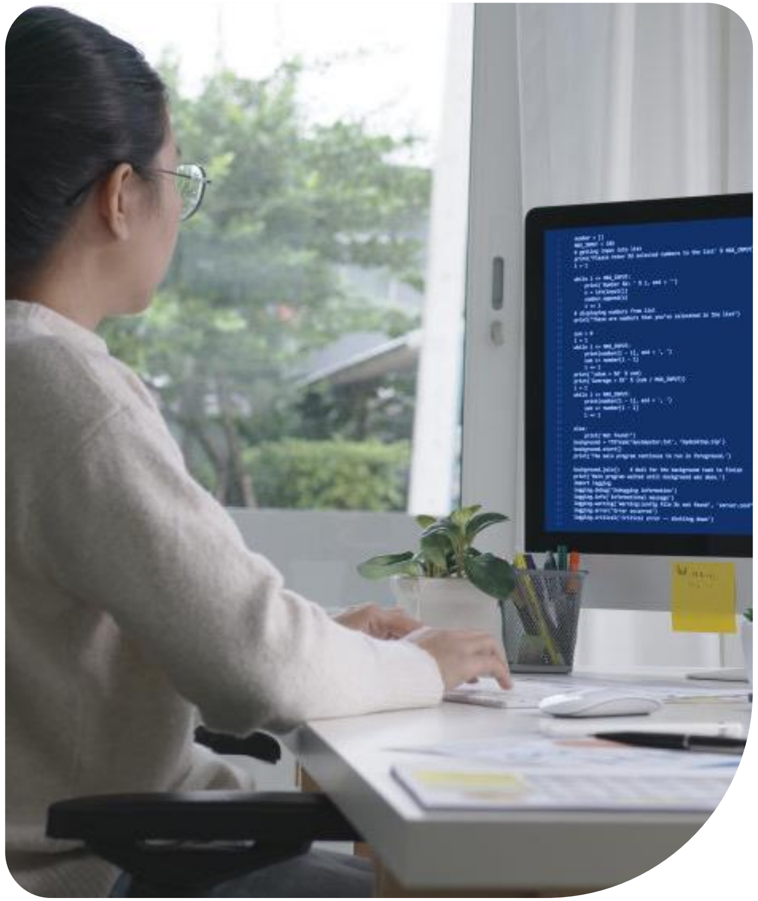
Scope of our Audit

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

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

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

Introduction and headlines (continued)



Significant risks

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

- Management override of control
- The revenue cycle includes fraudulent transactions – presumed risk per ISA (UK) 240 – rebutted, see page 17
- The expenditure cycle includes fraudulent transactions – presumed risk per ISA (UK) 240 – rebutted, see page 17
- Valuation of land and buildings and investment properties
- Valuation of pensions net asset/liability
- Accounting for the Group and related disclosures
- Valuation of long-term investments

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

Materiality

We have determined planning materiality to be £17.9m (PY £11.7m) for the Group and £16.9m (PY £11.0m) for the Council, which equates to 1.75% of your draft gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of the prior period accounts 2023/24 being partially audited, as well as the subsequent three periods of disclaimed accounts 2020/21 – 2022/23.

We have determined performance materiality of £11.6m (PY £7.6m) for the Group and £10.9m (PY £7.15m) for the Council.

Clearly trivial has been set at £0.890m (PY £0.585m) for the Group and £0.840m (PY £0.550m) for the Council..

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Delays in publication of accounts- timescales for unaudited and audited accounts going forward will need to be complied with.

Audit logistics

Our financial statements planning visit took place in April and our final visit commenced in July. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £520,656 for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

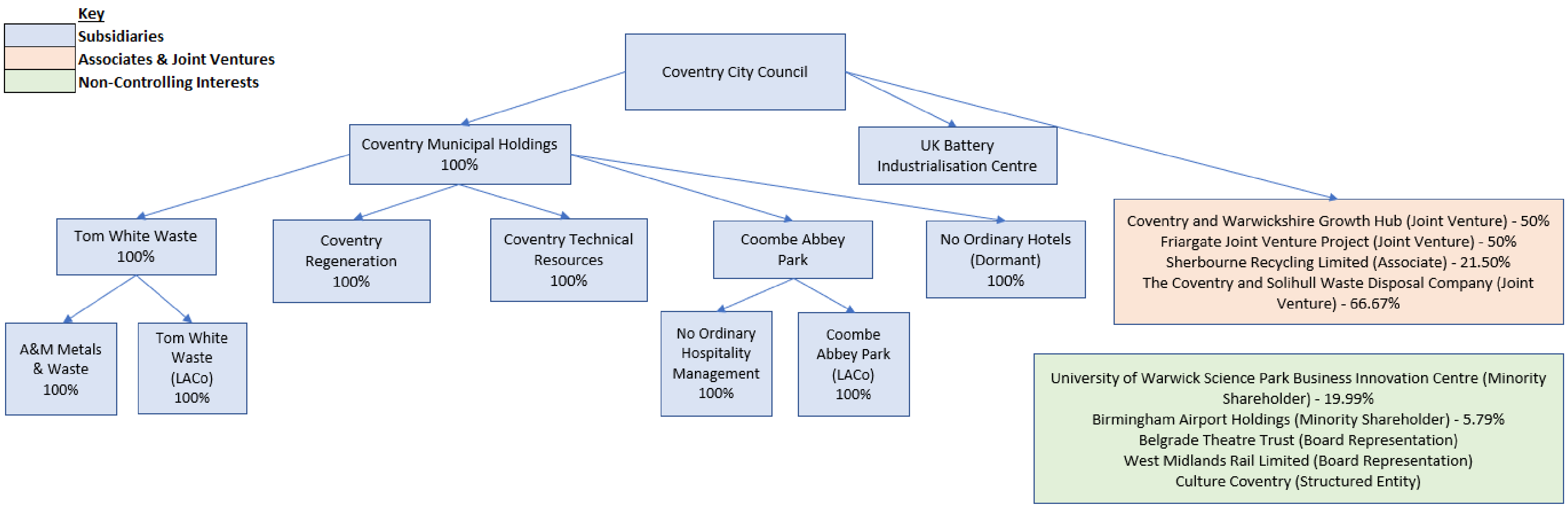
Introduction and headlines (continued)

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of its material subsidiaries, associates and joint ventures.

Non-controlling interests are excluded from consolidation, on the basis that the Council does not exert control or significant influence over these entities, as defined by accounting standards.

The Council has the following group structure:



03 Identified risks

Significant risks identified

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

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	• evaluate the design effectiveness of management controls over journals and group consolidation adjustments • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • test significant consolidation adjustments made to arrive at group account balances • gain an understanding of the accounting estimates applied and critical judgements made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions

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

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

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

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

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and the group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Coventry Council, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for Coventry City Council and group.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Council, as a public body within the group. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is primarily due to the low fraud risk in the underlying nature of the transaction; and for residual expenditure amounts, the immaterial nature of the expenditure streams both individually and collectively.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of land and buildings and Investment Properties	Risk of error in the revaluation of property, plant and equipment due to the sensitivity of the balance to changes in key assumptions.	The Council revalues its land and buildings as a minimum on a rolling five-yearly basis. Interim reviews are carried out: If the value of an asset class is projected to materially change during the period since the last Code and then further valuations are instructed. The Council also hold a range of investment properties which comprise of commercial units, office units, agricultural assets, residential and other assets. These assets are included in the balance sheet at fair value, and the Council revalues its investment properties each year. These valuations represent a significant estimate by management in the financial statements due to the size of the balances involved (£715m land & buildings; £317m investment properties as at 31 March 2025), and the sensitivity of this estimate to changes in key assumptions. Within the other group entities listed on pages 24-25, further material land and buildings are held. Under FRS 102, (the accounting basis on which some of 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 will: • Evaluate management's processes and assumptions for the calculation of the estimates, the instruction 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 valuations were carried out to ensure that the requirements of the CIPFA code are met; • 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, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly and where appropriate consult with our valuation expert (Auditors expert) ; and • Evaluate the assumptions made by management for those assets not revalued during the year and assess how management have satisfied themselves that these are not materially different to current value at year end.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	**Planned audit procedures**
Valuation of the pension fund net asset/liability	Complexity of valuation of the pension fund net liability including IFRIC 14 considerations.	The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries 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 increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.	We will: • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert (an 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 Council's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Council 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; and • 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.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Accounting for the Group and related disclosures	The complexity of the Group Structure	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 has been 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 group accounting and related disclosures as a significant risk for 2024/25.	We will: • update our understanding of the processes and controls put in place by management to ensure that group accounting is not materially misstated and evaluate the design of the associated controls • review the Council's assessment of its group boundary, that is the entities included within the Council's group accounts • test the consolidation adjustments made in producing the group accounts for completeness and accuracy
Valuation of long-term investments	Uncertainty relating to the revaluation of long-term investments	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 (£106.6m at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions.	We will: • update our understanding of the processes and controls put in place by management to ensure that the long-term investments are not materially misstated and evaluate the design of the associated controls • 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

Other risks identified

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

Risk	Description	Planned audit procedures
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 be 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 will: • continue to discuss developments in relation to equal pay claims with management and the Audit and Procurement Committee • review management's assessment of the probability of the claims being successful and the estimation of any associated liabilities • test the basis for related accounting treatment and disclosures • consider all relevant events up to the 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.
IFRS16 Implementation	IFRS 16 is now mandatory for all Local Government (LG) bodies from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.	We will: • Review the Council's implementation plan and assess the process followed to transition to IFRS 16, ensuring compliance with the standard's requirements. • Assess the design effectiveness of internal controls related to the identification, measurement, and disclosure of leases under IFRS 16. • Verify the accuracy and completeness of lease data by performing substantive testing of lease agreements, lease payments, and related documentation. • Review the application of judgement and estimation carried out by management • Review the Council's disclosures related to leases under IFRS 16 to ensure completeness, accuracy, and compliance with the standard's disclosure requirements.

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

Other matters

Other work

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

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

Other material balances and transactions

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

04 Group Audit

Scope of group audit

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

	Company name	Risk of material misstatement to the group	Location	Audit work completed by	Audit scope	Specific account balances in scope	Statutory audit
Coventry City Council		Yes	Coventry	Grant Thornton UK			Yes
Subsidiary 1	UK Battery Industrialisation Centre Ltd	Yes	Coventry	Grant Thornton UK		Cash and cash equivalents; Capital Grants Received in Advance; and Debtors	No
Subsidiary 2	Coventry Municipal Holdings Limited	No	Coventry	Grant Thornton UK			No
Subsidiary 2a	Tom White Waste Limited	No	Coventry	Grant Thornton UK			No
Subsidiary 2a.1	Tom White Waste (LACo) Limited	No	Coventry	Grant Thornton UK			No
Subsidiary 2a.2	A&M Metals & Waste Limited	No	Coventry	Grant Thornton UK			No
Subsidiary 2b	Coombe Abbey Park Limited	No	Coventry	Grant Thornton UK			No
Subsidiary 2b.1	Coombe Abbey Park (LACo) Limited	No	Coventry	Grant Thornton UK			No
Subsidiary 2b.2	No Ordinary Hospitality Management Limited	No	Coventry	Grant Thornton UK			No
Subsidiary 2c	Coventry Regeneration Limited	No	Coventry	Grant Thornton UK			No
Subsidiary 2d	Coventry Technical Resources Limited	No	Coventry	Grant Thornton UK			No
Subsidiary 2e	No Ordinary Hotels Limited	No	Coventry	Grant Thornton UK			No

Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the group auditor
- Specific audit procedures designed by a component auditor
- Analytical procedures at group level

Involvement in the work of component auditors

The component auditors of Coventry's Subsidiaries, Associates, and Joint Ventures also provide non-audit services to the group entities. The FRC Ethical Standard includes specific requirements and prohibitions applicable to public interest entities (PIEs). Since Coventry City Council is a PIE and the nature of the non-audit services requires adherence to the Ethical Standard, we must conduct our own audit procedures on areas within the group audit scope while these prohibited services are being provided and Coventry City Council remains a PIE.

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year that would have a material impact on the accounts. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

Scope of group audit

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

	Company name	Risk of material misstatement to the group	Location	Audit work completed by	Audit scope	Specific account balances in scope	Statutory audit
Joint Venture 1	The Coventry and Solihull Waste Disposal Company	No	Coventry	Grant Thornton UK		Cash and cash equivalents and Income	No
Joint Venture 2	Friargate JV Project Limited	No	Coventry	Grant Thornton UK			No
Joint Venture 3	Coventry and Warwickshire Growth Hub Limited	No	Coventry	Grant Thornton UK			No
Associate 1	Sherbourne Recycling Limited	No	Coventry	Grant Thornton UK			No

Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the group auditor
- Specific audit procedures designed by a component auditor
- Analytical procedures at group level

05 Our approach to materiality

Our approach to materiality

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

Matter	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	• We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements	• An item may be considered to be material by nature when it relates to: – instances where greater precision is required
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process	• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	**Matters we will report to the Audit and Procurement Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Procurement Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Audit and Procurement Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Council and Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.890m (PY £0.585m) for the group and £0.840m (PY £0.550m) for the Council. • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Procurement Committee to assist it in fulfilling its governance responsibilities.

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

Our approach to materiality

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.

	Amount (£)	Qualitative factors considered
Materiality for the group financial statements	17,900,000	This equates to 1.75% of the gross expenditure of the 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 (1.75%) to the benchmark to reflect increased interest in the accounts due to the previous four years' accounts being disclaimed and to reflect that the Council is a Public Interest Entity (UK PIE), due to its listed debt. In addition to determining headline financial statements materiality, we also determine a lower 'performance materiality' to be used in assessing the risks of material misstatement and designing audit procedures. After evaluating the group'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, which equates to £11,600,000.
Materiality for the single entity financial statements	16,900,000	This equates to 1.75% of the gross expenditure of the Council. 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 (1.75%) to the benchmark to reflect increased interest in the accounts due to the previous four years' accounts being disclaimed and to reflect that the Council is a Public Interest Entity (UK PIE), due to its listed debt. In addition to determining headline financial statements materiality, we also determine a lower 'performance materiality' to be used in assessing the risks of material misstatement and designing audit procedures. 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, which equates to £10,900,000.
Materiality for specific transactions, balances or disclosures – Senior officers' remuneration	28,670	Senior officer disclosure are deemed a specific sensitive area for the users of the accounts. We have therefore applied a lower materiality to Senior officer disclosure notes, using the 1.75% determination above, and applying this to total senior officer remuneration reported in the prior year.

06 IT audit strategy

IT audit strategy

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

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

IT application	Audit area	Planned level IT audit assessment
Business World – Unit 4	Financial reporting	• ITGC assessment (design & implementation effectiveness)

07 Value for Money Arrangements

Value for Money Arrangements

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

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

Financial sustainability

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

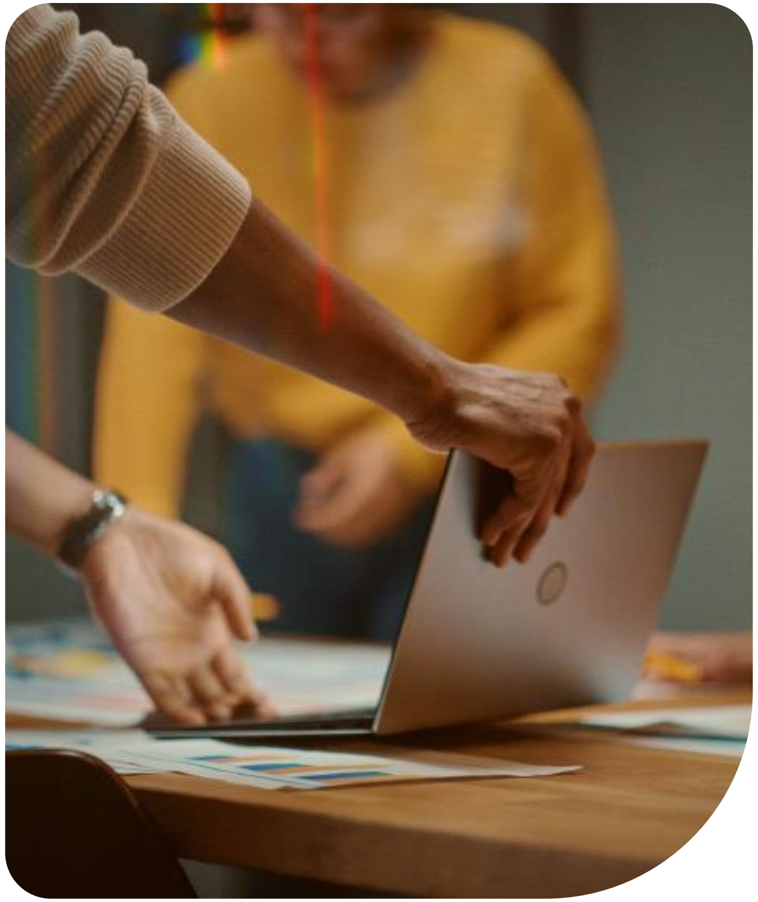
Governance

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

Improving economy, efficiency and effectiveness

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

Risks of significant VFM weaknesses



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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

Risks of significant weakness in VFM arrangements (continued)

Initial risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	A	No significant weaknesses in arrangements identified for 2023/24, but we note again the situation is becoming more challenging and that there may be significant weakness in future years. Three improvement recommendations were made to support the Council in improving arrangements for financial sustainability.	No risks of significant weakness identified	As no risk of significant weakness have been identified at the time of writing this report, no risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.
Governance	R	Significant weakness in arrangements identified and key recommendation made in respect of delays in the publication of accounts.	Risk of significant weakness identified due to delays in publication of accounts.	Timescales for unaudited and audited accounts going forward will need to be complied with. We will monitor progress on this point.
Improving economy, efficiency and effectiveness	A	No significant weaknesses in arrangements identified for 2023/24 ,but one new improvement recommendation was made to support the Council in improving arrangements.	No risks of significant weakness identified	As no risk of significant weakness have been identified at the time of writing this report, no risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

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

8 Logistics

Logistics

The audit timeline

Key Dates

Year end:
31 Mar 2025

Draft accounts published:
30 Jun 2025

Close out:
28 Nov 2025

Audit and Procurement Committee:
November 2025

Sign off:
By 31 Dec 2025

Audit phases:

Planning –
Apr 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Audit and Procurement Committee
- Issue the Audit Plan to management and Audit and Procurement Committee
- Planning meeting with Audit and Procurement Committee to discuss the Audit Plan

Final –
Jul – Nov 2025

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Weekly update meetings with management

Completion –
Nov 2025 – December 2025

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- 'Hot review' of the financial statements
- Draft Audit Findings issued to Audit and Procurement Committee
- Audit Findings presentation to Audit and Procurement Committee
- Auditor's Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Andrew Smith

Engagement Lead/
Key Audit Partner

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

Zak Francis

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Megan Hancox

Audit Senior / In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and other technical specialists (eg IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • The Audit Findings • Auditor’s Annual Report]	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

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

9 Fees and related matters

Our fee estimate

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

Relevant professional standards

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

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Coventry City Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £510,656.

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

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

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

Updated Auditing Standards

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

Company	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Coventry City Council Audit	290,000	510,656
IFRS 16 implementation – fee variation	N/A	10,000 (TBC)

Our fee estimate:

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

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Previous year

In 2023/24 the scale fee set by PSAA was £472,199. The actual fee charged for the audit was £290,000.

As the opinion on the 2023/24 audit is disclaimed due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you through-out the audit process.

10 Independence considerations

Independence considerations

As we are Statutory Auditors of the Company in the United Kingdom ("UK"), we are required to follow International Standard on Auditing (UK) 260 and the Ethical Standard (December 2024) issued by the UK Financial Reporting Council (the "FRC Ethical Standard" or "The Standard").

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 Company, 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. There are no matters that we are required to report.

We are also required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. We report the following matters to you:

Matter	Threats	Safeguards	Conclusion
Under the FRC's ES 2019, PIE clients non-audit services are subject to a cap of 70% of the audit fee (taking the average over the previous three years). The audit fees for the Council have been significantly reduced during the previous three periods as full audit procedures were not complete ahead of the government imposed back-stop dates. The non audit fees for 2024/25 (£172,500) therefore exceed the 70% threshold applicable to PIE audits, compared to the average audit fees of the three previous periods 2021/22 – 2023/24 (£119,000).	Self Interest	We have contacted the FRC and have been granted an exception to this rule, due to the unusual circumstances of the backstop date reducing the audit fees chargeable in prior years.	We have concluded that our independence is not impaired due to unusual circumstances owing to the backstop. We have obtained the required exemptions from the FRC and do not consider there to be a threat to independence.

Non-audit fees

- A schedule of our fees and non-audit services is set out further in this report, including an assessment of any perceived or actual threats to our independence and, where relevant, safeguards applied.

Independence considerations (continued)

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council/Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council/Group or investments in the Council/Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council/Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council/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 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.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following tables below set out non-audit services charged from the beginning of the financial year to 30th June 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the group and council's policy on the allotment of non-audit work to your auditor and have been approved by the Audit and Procurement Committee.

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Coventry City Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefit Subsidy Claim	2024/25: 160,000 2023/24: 140,987 2022/23: 106,150	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit of £510,656 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, grants work is carried out by a Grant Thornton team who are different to the audit team. The timing of certification work is carried out after the audit has completed where possible. Housing Benefit subsidy is a material figure in the accounts, however the level of errors identified have not been, and are not expected to be material.
		Management (because GT report to DWP)	The Council has informed management who decide whether to amend returns for our findings and agree the accuracy of our reporting. Any changes to subsidy payable will be determined by DWP and we have no involvement in the decision. These factors mitigate the perceived threats to an acceptable level.

Fees and non-audit services

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Teachers Pensions Return	2024/25: 12,500 2023/24: 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 fee for this work is low in comparison to the total fee for the audit of £510,656 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, grants work is carried out by a Grant Thornton team who are different to the audit team. The timing of certification work is carried out after the audit has completed where possible. Teachers Pension is a material figure in the accounts, however the level of errors identified have not been, and are not expected to be material.
		Management (because GT report to DWP)	The Council has informed management who decide whether to amend returns for our findings and agree the accuracy of our reporting These factors mitigate the perceived threats to an acceptable level.

Total audit and non-audit fee

Audit fee: £520,656	Non-Audit fees: £172,500

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.

Fees and non-audit services (continued)

Other non-audit services

Service	£	Threats Identified	Safeguards applied
Associated company work: Independent review of the West Midlands Rail Executive (WMRE) Blueprint for rail devolution	40,000	Self-Interest (Grant Thorton are also the auditors of Coventry City Council, who jointly own WMRE with other local authorities in the region. It may be perceived that there is an incentive for Grant Thornton to provide a clean audit report to ensure the non audit service is awarded to them)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is estimated to be £40,000 in comparison to the total fee for the audit of £510,656 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-Review (Coventry City Council's interest in WMRE may form part of the VfM conclusion so there is the perceived threat that the auditors will be reviewing work performed by Grant Thornton)	Grant Thorton are not producing any reports etc that would lead to figures in the financial statements. The work these services will cover is purely at the preliminary stage before any decision making that would be subject to review as part of the VfM conclusion would take place. Additionally, there is a separate team that does this work and that team would not work on the audit and the audit team would not work on the advisory piece of work.
Total	40,000		

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

11 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity of the firm and senior engagement team members	●	●
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	●	●
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 difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit and whether that deficiency has been resolved by management		●
Significant matters arising in connection with related parties		●

Our communication plan	Audit Plan	Audit Findings
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.

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

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

Respective responsibilities

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

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

12 Delivering audit quality

Delivering audit quality

Our quality strategy

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

Creating the right environment

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

Building our talent, technology and infrastructure

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

Working with premium clients

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

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

How our strategy differentiates our service

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

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

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

The right people at the right time

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

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

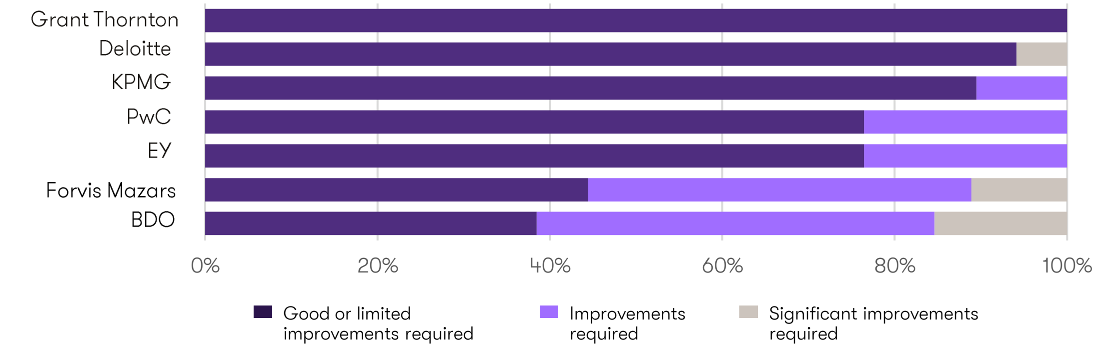
Digital differentiation

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

Oversight and control

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

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



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

Wendy Russell
Partner, UK Head of Audit

13 Appendices

Escalation Policy

The Backstop

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

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

Escalation Process

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

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

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

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

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

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

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

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

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

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

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

Aim

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

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16 Lease liability in a sale and leaseback	• IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. • This year will be the first year IFRS 16 is adopted fully within Local Government.
IAS 1 amendments Non-current liabilities with covenants	• These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IAS 7 and IFRS 7 Supplier finance arrangements	• These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

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

Amendments to IAS 21 – Lack of exchangeability

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

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

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

IFRS 19 Subsidiaries without Public Accountability: Disclosures

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

IFRS 18 Presentation and Disclosure in the Financial Statements

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

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

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

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

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

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

What you'll see

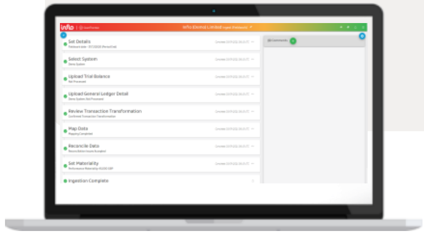
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

02 Ingest

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

What you'll see

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

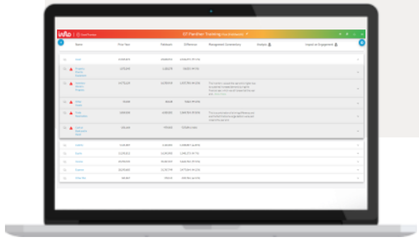


03 Detect

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

What you'll see

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



Grant Thornton