Grant Thornton

Audit Findings (ISA 260) Report for Coventry City Council

Year ended 31 March 2025

23 January 2026

DRAFT

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23 January 2026

Dear Members of the Audit and Procurement Committee

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

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

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

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

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DELETE WHEN REPORT IS FINALISED

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2024-.pdf (grantthornton.co.uk).

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

Andrew Smith

Partner
For Grant Thornton UK LLP

Contents

1 Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Coventry City Council (the 'Council' or 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

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

- the group and Authority's financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

At the time of writing this report, we have concluded several areas of our audit work, detailing the findings in the body of this report. For work not yet concluded, we have highlighted the work undertaken to date, and any findings or recommendations.

Our findings are summarised on pages 14 to 72. We have identified three adjustments to the financial statements, one of which has been adjusted for and two which have not been adjusted. The adjustment has a net nil impact on the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed at page 55. During our work, we have also raised five recommendations for management, which are set out at page 63, with follow up of our prior year's audit recommendations detailed at page 67.

Owing to the challenges of undertaking an audit where the previous years audits were subject to backstop-related disclaimed audit opinions, we have been unable to obtain sufficient appropriate audit evidence over the opening balances reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability, property, plant and equipment and investment properties. This has also resulted in uncertainty over the closing balance of property, plant and equipment and investment properties. Similarly, we have not been able to obtain assurance over the Authority's and group's closing reserves balance.

There has also been insufficient time to complete audit procedures started but not completed in areas including, equal pay claims, group accounts, prior period adjustments, consideration of impairment of assets under construction, allowance for impaired debt, related parties, financial instrument disclosures, long term debtors accounting assessment and PFI accounting assessment.

We therefore expect to issue a disclaimer of opinion and our draft Audit Report is provided in a separate paper.

Headlines

Value for money (VFM) arrangements

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

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

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

We have completed our VFM work, which is summarised in section 8 of this report, and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented at the 24 November 2025 meeting of the Audit and Procurement Committee. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the 'Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed a substantial portion of the work required under the Code, with the exception of the outstanding areas outlined at page 6, however, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code.

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

Significant matters

Owing to the challenges of undertaking an audit where the previous years audits were subject to backstop-related disclaimed audit opinions, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 27 February 2026.

We have not received management's assessment of the probability of equal pay claims being successful and the estimation of any associated liabilities in respect of these claims. We have therefore been unable to conclude our work in this area.

Headlines

National context – audit backlog

Government proposals around the backstop

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

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

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

Headlines

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 legislation.

As a result, for 2024/25:

- we have limited assurance over the opening balances for 2024/25.
- no assurance over the closing reserves balance also due to the uncertainty over their opening amount.

Our aim for the 2024/25 audit has been to continue with rebuilding assurance, therefore our focus has been on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances.

We have been unable to conclude our work in respect of reserves, grants received in advance and capital financing requirements due to the lack of assurance over the opening balance as a result of the disclaimed opinion in 2023/24. We are also unable to conclude our work on equal pay, group consolidation, prior period adjustments, Private Finance Initiatives, financial instruments, related party transactions, impairment of assets under construction, credit loss allowances and the allowance for impaired debt.

On 5 June 2025, the National Audit Office (NAO) published its "Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06" for auditors which sets out special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. The key messages outlined within this guidance include rebuilding assurance through:

- tailored risk assessment procedures for individual audit entities, including assessments over risk of material misstatements of opening balance figures and reserves;
- designing and performing specific substantive procedures, such as proof-in-total approach;
- special considerations for fraudulent reporting, property, plant & equipment, and pension related balances.

We will discuss with you our strategy for rebuilding assurance, in the light of this year's audit, as part of our planning for 2025/26.

Headlines

Implementation of IFRS 16

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

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

Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

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

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

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

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

Impact on the Authority

- Arrangements that were previously accounted for as operating leases and expended through the CIES were brought into the balance sheet at 1 April 2024 resulting in recognition of right of use asset and a corresponding lease liability. This has resulted in the reclassification of PPE worth £21.6m as Right of use assets on 1 April 2024, £1.7m identified as additions to property, plant and equipment and an increase in lease liabilities of £1.6m.
- Exemptions have been applied for leases of low-value items and those expiring before 31 March 2025.
- Operating leases previously expensed through the CIES have been included as ROU assets and lease liabilities under IFRS 16. The newly recognised lease liabilities of £1.6m compare with operating lease commitments of £2.9m at 31 March 2024
- Peppercorn leases have been identified and recognised as leases under IFRS 16, including additional leases discovered during transition.

Headlines

Status of the audit: the outstanding matters as at the time of writing are set out below.

Set out below are the areas of audit work that will not be concluded in advance of the back-stop date. For each area we have set out the current progress to indicate the amount of work performed and the level of outstanding matters.

Red (Not started):

- Equal pay claims - Receipt and review of legal advice & management's assessment of the probability of equal pay claims being successful and the estimation of any associated liabilities

Amber (Significant elements outstanding):

- Group Consolidation - Completion of our work on the group consolidation adjustments including the receipt and review of evidence to support the group property, plant and equipment valuations.

Green (Significant progress with only minor queries outstanding):

- Prior period adjustments – Further clarification is required to enable us to conclude our work on the prior period adjustments, the most technical of which relates to the UKBIC lease/loan arrangement. This follows a recommendation raised in the 2023/24 audit, which the Council has since addressed by working with UKBIC to agree and implement a consistent accounting treatment across both entities. We have undertaken a detailed review of the accounting treatment adopted in both sets of accounts and have some residual queries in relation to the specific adjustments and disclosures recognised, to confirm whether these fully consider and comply with IFRS 9 and the CIPFA Code.
- Related Parties - Receipt and review of officer's declarations of interest and completion of our work on related party transactions
- Financial Instruments - Outstanding queries relating to the reconciliation of the Financial Instruments note
- Private Finance Initiatives - Receipt and review of the PFI contracts and IFRIC 12 assessments
- Long Term Debtors - Receipt and review of the Council's IFRS 9 assessment of credit loss allowances for long term debtors
- Allowance for impaired debt - Completion of our review of allowances for impaired debt
- Assets Under Construction – Receipt and review of managements assessment of impairment for assets under construction

Status:
- Not started
- Significant elements outstanding
- Significant progress with only minor queries outstanding

Headlines

Status of the audit: the outstanding matters as at the time of writing are set out below.

Set out below are the areas of audit work that are still outstanding at the time of writing but will be completed ahead of the backstop date.

- Completion of WGA procedures and return (council is below threshold for detailed procedures)
- Review of the updated financial statements - to date of audit report issue
- Obtaining and reviewing the management letter of representation
- Updating our subsequent events review, to the date of signing the opinion
- Final manager and engagement lead review of the above once completed

Status:
- High risk of material adjustment or significant change to disclosures
- Moderate risk of material adjustment or significant change to disclosures
- Not considered likely to lead to material adjustment or significant change to disclosures

2 Group audit

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.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
Coventry City Council (Parent)	Yes	Scope 1	Scope 1	Grant Thornton UK	Andrew Smith	●	Planned procedures are complete, with the exception of the outstanding areas outlined at pages 12 & 13. No significant issues have been identified. The opinion will be disclaimed due to limited assurances on opening balances and outstanding items at page 12 & 13.
UKBIC Ltd (Subsidiary)	Yes	Scope 2	Scope 2	Grant Thornton UK	Andrew Smith	●	Planned procedures have been carried out for Cash and Cash Equivalents; Grant Income; and Debtors. Journals testing has also been conducted for all areas within audit scope. Our work on these areas is complete. One error has been identified in debtors relating to a prepayment of £0.268m that was incorrectly recorded in 2024/25, despite payment occurring after year end. UKBIC confirmed a corresponding creditor was recognised, resulting in nil net impact on the balance sheet, however, debtors and creditors are both overstated by £0.268m The error is isolated to the prepayment population (£1.505m), which is below performance materiality. No other issues were identified. No exceptions were noted in our work on Cash and Cash Equivalents or Grant Income. Capital Grants Received in Advance was included in our initial scope; however, testing could not be completed in this area due to the lack of assurance over opening balances. This is because the closing balance is significantly influenced by prior years' grant income receipts and the timing of income recognition across multiple years.

Key

[Scope 1]	Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)
[Scope 2]	Specific audit procedures designed by the group auditor (specific scope)
[Scope 3]	Specific audit procedures designed by a component auditor (specific scope)
Out of scope	Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.

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.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
CSWDC limited (Joint Venture)	No	Scope 2	Scope 2	Grant Thornton UK	Andrew Smith	●	Planned procedures have been carried out in the following areas: Cash and cash equivalents. Journals testing has also been completed for all areas within audit scope. Our work on these areas is now complete and no issues or exceptions have been identified.
Remaining companies*	No	Out of Scope	Out of Scope	Grant Thornton UK	Andrew Smith	N/A	Out of scope components are subject to analytical procedures performed by the group audit team to group materiality.

*Remaining companies include:
Under the Coventry Municipal Holdings Limited umbrella: Tom White Waste Limited, Tom White Waste (LACo) Limited, A&M Metals & Waste Limited, Coombe Abbey Park Limited, Coombe Abbey Park (LACo) Limited, No Ordinary Hospitality Management Limited, Coventry Regeneration Limited, Coventry Technical Resources Limited, No Ordinary Hotels Limited.

Other companies: Friargate JV Project Limited, Coventry and Warwickshire Growth Hub Limited, Sherbourne Recycling Limited.

Group audit

Our group scoping, as set out above, achieves the following coverage of relevant key audit matters:

Scope	PPE & Investment Properties	Net Pension Liability/Asset	Long term Investments
Scope 1	98%	100%	100%
Scope 2	-	-	-
Scope 3	-	-	-
Out of Scope	2%	-	-

Key

[Scope 1]	Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)
[Scope 2]	Specific audit procedures designed by the group auditor (specific scope)
[Scope 3]	Specific audit procedures designed by a component auditor (specific scope)
Out of scope	Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.

3 Materiality

Our approach to materiality

As communicated in our Audit Plan dated 9 September 2025, we determined materiality at the planning stage as £17.9m for the group and £16.9m for the Authority based on 1.75% of draft gross expenditure. We have not had reason to alter our determination of materiality since our Audit Plan.

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

Basis for our determination of materiality

- We have determined materiality at £17.9m for the group and £16.9m for the Authority based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as the previous four years' accounts being the subject of disclaimed audit opinions, and to reflect that the Authority is a Public Interest Entity (UK PIE)
- We have used 1.75% of gross expenditure as the basis for determining materiality.
- Gross expenditure is assessed as the most suitable benchmark due to stakeholder interest in public spending. 1.75% has been determined as a suitable measure at which economic decisions of stakeholders may be impacted by misstatements at or above this level.
- In the prior year, we determined materiality of £11.7m for the group and £11.0m for the Authority, equating to 1.25% of prior year gross expenditure. The materiality percentage has increased year-on-year following a sector-wide review of materiality benchmarks.

Performance materiality

- We have determined performance materiality at £11.60m for the group and £10.9m for the Authority.
- This is based on 65% of headline materiality.
- The performance materiality percentage is consistent with the prior year and reflects our risk-assessment for the potential for errors occurring.
- Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. It is the amount we set at less than materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
- A separate component performance materiality has been determined for UKBIC Ltd where audit work is being performed for assurances on the group accounts. This has been set at £4.6m, with the component performance materiality used reflecting the relative risk and size of that component to the group.
- A separate component performance materiality has also been determined for CSWDC Ltd of £8.6m. However, as the only area scoped in for audit procedures is cash and cash equivalents, which will be tested in full, we consider it appropriate to apply the group performance materiality for these procedures.

Specific materiality

- We have determined a specific separate materiality level for senior officer remuneration disclosures of £28,670.
- Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality. We applied heightened auditor focus in the completeness and clarity of disclosures in this area and would request amendments to be made if any errors exceed the threshold we have set.

Reporting threshold

- We will report to you all misstatements identified in excess of £0.890m for the group and £0.840m for the Authority in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of materiality levels is set out below.

	Group (£)	Authority (£)
Materiality for the financial statements	17,900,000	16,900,000
Performance materiality	11,600,000	10,900,000
Specific materiality for Senior Officers' Remuneration disclosures	N/A	28,670
Reporting threshold	890,000	840,000

4 Overview of significant and other risks identified

Overview of audit risks

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

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

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

Key audit matters are those matters that, in our professional judgement, are of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we have identified.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	✗	Low	● (green)
Valuation of land and buildings and investment properties	Significant	↔	✗	✓	High	● (amber)
Valuation of the pension fund net asset/liability	Significant	↔	✗	✓	High	● (green)
Accounting for the group and related disclosures	Significant	↔	✗	✓	Medium	● (amber)
Valuation of long-term investments	Significant	↔	✗	✓	High	● (green)
Equal Pay claims	Other	↔	✗	✗	Medium	● (red)
IFRS 16 Implementation	Other	↔	✗	✗	Medium	● (green)

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

● (green) Not considered likely to lead to material adjustment or significant change to disclosures
● (amber) Some elements outstanding – moderate risk of material adjustment or significant change to disclosures
● (red) Significant elements outstanding – high risk of material adjustment or significant change to disclosures

Significant risks

Risk identified

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumption 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.

Audit procedures performed

We have:

- evaluated the design effectiveness of management controls over journals and group consolidation adjustments
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates applied and critical judgements made by management and consider their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

Work is still in progress on:

- testing significant consolidation adjustments made to arrive at group account balances

Key observations

Our audit work did not identify any issues relating to management override of controls.

However, we have identified two control recommendations:

1. **Journal authorisation controls** - there is currently no authorisation process for journal postings in the finance system. The control environment relies on budgetary review processes and system access controls. These compensating controls do not fully mitigate the risk of fraud or error due to a lack of journal authorisation. We recommend the Council implement a journal authorisation control with segregation of duties between the preparer and authoriser. Authorisation privileges should be limited to appropriate finance managers.
2. This recommendation was first raised in our 2020/21 Audit Findings Report, issued 13 November 2024 and is included at page 72 - Follow up of prior year recommendations.

(continued)

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls (continued)		1. **Access controls to group ledger** - Group consolidation working papers are stored on a shared drive accessible to all members of the corporate finance team. This creates a risk of accidental changes and increases the risk of fraudulent financial reporting. Access to these working papers should be restricted to relevant personnel only. This recommendation was first raised in our 2023/24 Audit Findings Report, issued 7 February 2025 and is included at page 70 - Follow up of prior year recommendations.

Significant risks

Risk identified	Audit team's assessment	Key observations
The revenue cycle includes fraudulent transactions Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition.	It was reported in our Audit Plan that we had rebutted the presumed significant risk of material misstatement arising from improper revenue recognition of the Authority's and Group's income streams. Our work to date has not identified any issues that would change our assessment.	Despite rebutting the presumed risk of fraud in revenue recognition, we have still undertaken a substantial amount of work on the authority's revenue streams, as they are material. Our work in this area is at an advanced stage. Initial sample testing of fees and charges income identified one error. Although the error was trivial, the extrapolation produced a non-trivial potential misstatement. As a result, we extended our testing in this area. No further errors were identified from the additional procedures, and we are satisfied we have obtained sufficient and appropriate audit evidence over in-year revenue transactions.

Significant risks

Risk identified	Audit team's assessment	Key observations
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.	It was reported in our Audit Plan that we had determined there was no significant risk of material misstatement arising from improper expenditure recognition of the Authority's or Group's expenditure streams. Our work to date has not identified any issues that would change our assessment.	Despite rebutting the presumed risk of fraud in expenditure recognition, we have still undertaken a substantial amount of work on the authority's expenditure streams, as they are material. Our work in this area is now complete, and we have not identified any material adjustments or other findings to report.

Significant risks

Risk identified	Audit procedures performed	Key observations
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.	We have: • Evaluated management's processes and assumptions for the calculation of the estimates, the instructions issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Written to the valuer to confirm the basis on which the valuations were carried out to ensure that the requirements of the CIPFA code were met; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Engaged 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 • Tested, 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 consulted with our valuation expert (Auditors expert) ; and	Our audit work identified one unadjusted misstatement, as detailed at page 58, relating to the Browns Lane Residential Development Site. The land size apportionment applied by the external valuer was inconsistent with the information provided by the Council, resulting in an undervaluation of £1.570m. As noted at page 63, we recommend that management undertake a thorough review of external valuations to ensure that all input data used in the valuation is accurate and consistent with Council records. Overall, our audit work on the Council's land and buildings and investment property valuations did not identify any material adjustments or other findings to report. We have not been able to conclude our work on the group valuation consolidation adjustments ahead of the backstop date.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings and investment properties (continued) Within the other group entities, 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.	• Evaluated the assumptions made by management for those assets not revalued during the year and assessed how management have satisfied themselves that these are not materially different to current value at year end.	

Significant risks

Risk identified	Audit procedures performed	Key observations
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 estimate 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.	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and	The Council received a revised actuarial report for 2023/24 on 12 June 2025. The key changes in the revised report are as follows: • Increase in interest income on plan assets: £0.84m • Increase in employer contributions: £3.563m • Increase in return on assets (excluding amounts included in net interest): £0.52m These changes result in an overall increase in the fair value of 2023/24 plan assets of £3.699m. The Council have adjusted for these prior year adjustments within the current financial year. This is appropriate as the movements are not material so a prior period restatement is not required. When reconciling the draft accounts to the updated actuarial report, we noted that not all of the required adjustments to reflect the updated 2023/24 actuarial figures had been processed in year. This has been discussed with management, and the necessary adjustments agreed as outlined at page 59.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the pension fund net asset/liability (continued) 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.	• Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report.	Our audit procedures also identified an unadjusted misstatement relating to the 2024/25 financial year (refer to page 61). Management have recognised the full impact of the asset ceiling adjustment within the 'remeasurement of the net defined benefit liability' line within the CIES. However, part of this adjustment relates to the interest impact, which should be reflected within 'net interest on the net defined benefit liability' under finance and investment income in the CIES. The interest impact is £4.304m, which is not material, and management have decided not to amend on this basis. Management have, however, updated the pension disclosure notes to clarify the interest impact of the asset ceiling adjustment. We also identified a disclosure omission as the Council had omitted the reconciliation from the opening balance to the closing balance for the asset ceiling as required by the Code (see page 59). This has been discussed with management and the necessary adjustments have been agreed. Our audit work has not identified any other issues regarding the valuation of the pension fund net asset/liability.

Significant risks

Risk identified	Audit procedures performed	Key observations
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 have: • updated our understanding of the processes and controls put in place by management to ensure that group accounting is not materially misstated and evaluated the design of the associated controls • reviewed the Council's assessment of its group boundary, that is the entities included within the Council's group accounts Work is still in progress on: • testing the consolidation adjustments made in producing the group accounts for completeness and accuracy	The Council has prepared the consolidated financial statements using the draft accounts of its subsidiaries, associates, and joint ventures received in June 2025. We are aware that these draft accounts have since been updated following audit procedures. We have obtained the latest versions and confirmed that the movements are not material. On this basis, we consider it reasonable for management not to amend the consolidation. We have not been able to conclude our work in this area ahead of the backstop date. We have not identified any issues to report at this stage. We will conclude our work in this area as part of the 2025/26 audit.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of long-term investments Uncertainty relating to the revaluation of long-term investments. The Council's long term investment balance is comprised of interests in subsidiaries, associates and joint ventures. The material investments are in The Coventry and Solihull Waste Disposal Company Limited and Birmingham Airport Holdings Limited. In its single-entity accounts, the Council has elected to report the value of these long-term investments at the balance sheet date at Fair Value, which is allowable under the CIPFA Code. 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 have: • updated our understanding of the processes and controls put in place by management to ensure that the long-term investments are not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management experts for this estimate and the scope of the experts' work • assessed the competence, capabilities and objectivity of the experts who carried out the valuations • assessed the accuracy and completeness of the information provided by the Authority to the experts to estimate the fair values • engaged 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 • tested the consistency of the values and disclosures in the notes to the core financial statements with the valuation report from the experts	Our audit work in this area is substantially complete, subject to final review procedures. Based on our testing, we consider the judgements and estimates applied by management in determining investment valuations to be appropriate for the nature of the investments held. The valuation of the Councils share of investments in Coventry and Solihull Waste Disposal Company remains consistent with the prior year valuation. We have reviewed the methodology and assumptions applied and are satisfied that these are reasonable. We noted that management adopted an alternative valuation approach for Birmingham Airport Holdings Ltd this year, using the two most recent earnings figures rather than forecasting future earnings as in previous years. We recalculated the valuation using the prior methodology and found that the difference was immaterial (the Council's share being approximately £3 million higher). We therefore consider the estimate reasonable.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of long-term investments (continued)		The valuation of the Councils investment in Coventry Municipal Holdings Ltd has decreased by approximately 50% compared to 2023/24, primarily due to a considerable reduction in the valuation of Tom White Waste Ltd. This reflects lower maintainable EBITDA following operational challenges in 2024/25, which has resulted in more prudent budgeting for 2025/26 an 2026/27. We have reviewed the valuation of Tom White Waste Ltd and consider the judgements and assumptions reasonable. Overall, we are satisfied that the long-term investment balances reported in the draft financial statements are not materially misstated. However, we have identified three minor recommendations for management to consider in future years (see page 64). These relate to the valuation methodology and EBITDA multiples used for Sherbourne Recycling Ltd, Coombe Abbey Park Ltd, and Tom White Waste Ltd.

Other risks

Risk identified	Audit procedures performed	Key observations
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 have: • continued to discuss developments in relation to equal pay claims with management and the Audit and Procurement Committee • considered 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. Due to time limitations imposed by the backstop date, we have not: • received or reviewed management's assessment of the probability of the claims being successful and the estimation of any associated liabilities • tested the basis for related accounting treatment and disclosures	We have not received management's assessment of the probability of the claims being successful and the estimation of any associated liabilities. We have therefore been unable to conclude our work in this area. If we do not receive management's assessment and supporting evidence, we will consider whether additional reporting in our disclaimer of opinion is required.

Other risks

Risk identified	Audit procedures performed	Key observations
IFRS 16 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 have: • Reviewed the Council's implementation plan and assessed the process followed to transition to IFRS 16, ensuring compliance with the standard's requirements. • Assessed the design effectiveness of internal controls related to the identification, measurement, and disclosure of leases under IFRS 16. • Verified the accuracy and completeness of lease data by performing substantive testing of lease agreements, lease payments, and related documentation. • Reviewed the application of judgement and estimation carried out by management • Reviewed the Council's disclosures related to leases under IFRS 16 to ensure completeness, accuracy, and compliance with the standard's disclosure requirements.	Arrangements that were previously accounted for as operating leases and expended through the CIES were brought into the balance sheet at 1 April 2024 resulting in recognition of right of use asset and a corresponding lease liability raised. This has resulted in the reclassification of PPE worth £21.6m as Right of use assets on 1 April 2024, £1.7m identified as additions to property, plant and equipment and an increase in lease liabilities of £1.6m. Exemptions have been applied for leases of low-value items and those expiring before 31 March 2025. The Council measured ROU assets by applying the cost model where this provides a proxy for current value. Where the cost model is not deemed appropriate, the valuation of the ROU assets was determined from a revaluation by an independent valuer using RICS guidance. The implementation of IFRS 16 followed a structured three-phase approach which involved the identification of leases, creation of a lease register, and development of standard calculation templates. Systems and processes established to capture lease data and maintain ongoing updates include staff training, transactional reviews of financial systems and engagement of service managers.

Other risks

Risk identified	Audit procedures performed	Key observations
IFRS 16 Implementation (continued)		Our audit work in this area is complete. We have identified two disclosure misstatements as outlined at pages 58 and 59: - the "one to five years" category in the maturity analysis of lease liabilities disclosed at Note 3.28 is understated by £1.281m due to a formula error in the supporting working paper. - The debit impact of the transition to IFRS 16 within property plant and equipment has been recognised within additions. This should be presented in a separate line within the property, plant and equipment table after the opening balance. Management have confirmed that they will adjust for each of these findings. Our audit work has not identified any other issues relating to IFRS 16.

5 Other findings

Other findings

Issue	Commentary	Assessment
Potential equal pay liability	Refer to page 34 for commentary.	We have not received management's assessment of the probability of the claims being successful and the estimation of any associated liabilities. We have therefore been unable to conclude our work in this area.
Prior year adjustments identified	When preparing the 2024/25 draft accounts, management have identified several prior period adjustments as set out at note 3.38 and 4.15 of the draft financial statements. We have summarised the changes below: • Segmental Reporting Change – The Council revised its management structure in 2024/25, resulting in changes to the segmental categories within the Cost of Services. This is a structural reclassification rather than an error or change in accounting policy and this therefore does not meet the definition of a prior period adjustment. continued	We have requested that management remove the Segmental Reporting Change from the prior period adjustment section of the accounts, as it does not meet the definition of a prior period adjustment. This change in classification should instead be highlighted as a narrative disclosure in the note. We have reviewed management's rationale for the remaining prior period adjustments and consider them appropriate. Although we do not have assurance over the original opening balances, we have reviewed the journal adjustments processed during the year to confirm they are consistent with the stated rationale and compliant with accounting standards. Our work in this area could not be completed ahead of the backstop date. We have not identified any issues requiring reporting at this stage; however, uncertainties remain regarding the accounting treatment and adjustments applied, particularly relating to the UKBIC lease/loan. This work will be completed as part of the 2025/26 audit

Other findings

Issue	Commentary	Assessment
Prior year adjustments identified (continued)	• UKBIC lease/loan accounting treatment – In the 2023/24 audit findings report, we raised a significant issue in relation to the inconsistent accounting treatment of the Councils arrangement with its subsidiary (UKBIC). Following a detailed review of the arrangement, the Council and UKBIC have reached a consensus that it should be accounted for as a lease. The council have included a prior period adjustment in the 2024/25 accounts to reflect the change in accounting treatment. The net impact of the adjustment on the balance sheet is a £3.363m debit to long term debtors and a corresponding credit to unusable reserves. The net impact on the CIES is £0.278m. Despite the net impact to the core financial statements being immaterial, the gross adjustments made to the disclosure notes are material. Continued	

Other findings

Issue	Commentary	Assessment
Prior year adjustments identified (continued)	• PFI balance sheet change – The Council performed a review of balance sheet headings under which PFI project liabilities and developer contributions were held and identified that their treatment was previously not in line with the CIPFA Code. The adjustment has a net nil impact on the balance sheet and no impact on the CIES, however the reclassification between line items is material (current liabilities reclassifications of £3.8m and non-current liabilities reclassifications of £56.4m) and it is therefore appropriate for this to be recognised as a prior period adjustment. • Capital Grants Review – The Council performed a detailed review of grant conditions, which identified that certain grants held as receipts in advance at 31 March 2024 should have been recognised as restricted grants. The net impact on the CIES is £7.764m and the net impact on the balance sheet is £28.779m. A similar review was also performed for the other group entities and a £14.1m prior period adjustment was identified for the group accounts in respect of the UKBIC grant liability categorisation.	

Continued

Other findings

Issue	Commentary	Assessment
Prior year adjustments identified (continued)	• UKBIC AUC – UKBIC recognised £14.8m additions to AUC during 23/24. During group consolidation this was treated on the basis that the corresponding balance was held in government grant creditors. However, when the final audited UKBIC accounts were received, it was subsequently determined that the corresponding entry was held in short term debtors. The group accounts have therefore been restated to reflect this change. Although the net impact on the core financial statements is immaterial, the gross adjustments made to the disclosure notes do have a material impact and it is therefore appropriate for this to be recognised as a prior period adjustment.	

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £715m at 31 March 2025	Other land and buildings comprise £428,957k of specialised assets. The remainder of OLB (£285,971k) are not specialised in nature. The Council have engaged Wilks, Heads and Eve to complete the valuation of properties as at 01/01/2025. The Council have engaged Wilks, Heads and Eve to complete the valuation of properties as at 01/01/2025 on a five yearly cyclical basis. 91% of assets were revalued during 2024/25. Management have considered the year end value of non revalued properties and the potential valuation change in the assets revalued at 01 January 2025 by applying appropriate indices to determine whether there has been a material change in the total value of these properties. We challenged the basis of management's assessment that this would not have a material effect and utilised our own estimate in order to form a view on the appropriateness of management's estimation technique. Our estimations were not materially different to management's (£4.5m understated) and therefore consider management's process and key assumptions are cautious.	We have • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • wrote to the valuer to confirm the basis on which the valuation is carried out to ensure that the requirements of the CIPFA Code are met • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • considered the appropriateness of alternative site assumptions adopted. • engaged our own valuer to assess the instructions to the Council's valuer, the Council valuer's report and the methodology and assumptions that underpin the valuation; • tested revaluations made during the year to see if they have been input correctly into the Authority's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.	Our audit work has not identified any issues in respect of the key judgements and estimates applied

Other findings – key judgements and estimates

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of Investment Properties £317m at 31 March 2025	The Council have engaged Wilks, Heads and Eve to complete the annual valuation of Investment property held at fair value as at 01/01/2025. Management have engaged Wilks, Heads and Eve to produce a market commentary to perform a market review of assets valued during the financial year. Management reviewed the market commentary and concluded that there have not been any significant changes which may impact the valuations reported by WHE. We challenged management's assessment and utilised our own estimate in order to form a view on the appropriateness of management's estimation technique. Our analysis identified a variance of £2,796k above our expected valuation and we therefore consider management's key assumptions are optimistic. The total year end valuation of investment property was £317,125k, a net increase of £15,316 from 2023/24 (£301,809).	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation is carried out to ensure that the requirements of the CIPFA Code are met • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own valuer to assess the instructions to the Council's valuer, the Council valuer's report and the methodology and assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the Council's balance sheet • ensured that any RICS guidance in relation to material uncertainty around property valuations has been considered by the valuer and is appropriately reflected in the financial statements.	Our audit work has not identified any issues in respect of the key judgements and estimates applied

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability/asset The value of the liability at 31 March 2025 is £30m. The Council has within its pension scheme an aspect of funded and unfunded members. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Based on the IAS 19 review by the actuary the Council had assets of £1,652m and associated liabilities of £1,372m. Following the assessment of IFRIC 14 by the actuary the Council has determined none of this surplus position can be considered and therefore for the funded aspect of the scheme there is a nil balance. The Council also has an unfunded aspect to the scheme with associated liabilities of £30m.	The Authority uses Hymans Robertson LLP to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31st March 2022. Given the significant gross value of both the assets and liabilities small changes in the estimation basis could result in material changes to the estimate.	We have; • Undertaken an assessment of management's expert, • Assessed the reasonableness of the actuary's approach, • Used PwC as an auditor's expert to assess the assumptions made by the actuary (see table below), • Reviewed the completeness and accuracy of the underlying information used to determine the estimate, • Reviewed the reasonableness of the Council's share of LGPS pension assets, Our findings are detailed on pages 29 – 30.	Our audit work has not identified any issues in respect of the key judgements and estimates applied

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.8%	5.8 – 5.85%	Reasonable
Pension increase rate	2.8%	2.7 – 2.8%	Cautious
Salary growth	3.8%	3.2 – 5.3%	Reasonable
Life expectancy – Males currently aged 45/65	20.6/21.3	Confirmed consistent	Reasonable
Life expectancy – Females currently aged 45/65	23.5/24.8	Confirmed consistent	Reasonable

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Fair value of financial instruments – Level 2 & 3 investments	The Council has long term investments in Birmingham Airport Holdings Ltd , The Coventry and Solihull Waste Disposal Company Ltd, Coventry Municipal Holdings Ltd, Friargate Joint Venture Project Ltd, Sherbourne Recycling Ltd, UK Battery Industrialisation Ltd, University of Warwick Science Park Innovation Centre Ltd and Coventry and Warwickshire Growth Hub. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. To determine the value, management engage an external valuer and agree an approach for valuation. The Council's short-term investments at 31 March 2025 include Collective Investment Funds and Short-Term Deposits.	Our work on the valuation of the Council's long-term investments is complete, subject to final review procedures. See pages 32 - 33 for details. We have noted that the judgements and estimates used by management in determining the values are appropriate for the type of investments held. Our work on the Council's short-term investments is complete, subject to final review procedures. During our testing, we identified one adjusted misstatement relating to the classification of £24.98m of short-term temporary deposits. These deposits were classified as short-term investments; however, as they have a maturity of less than three months, they should be presented as cash and cash equivalents in accordance with the CIPFA Code (see adjustment outlined at page 56).	Our audit work has not identified any issues in respect of the key judgements and estimates applied
Minimum revenue provision £21.923m in 2024/25	The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its minimum revenue provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £21.923m, a net increase of £3.887m from 2023/24. This represents a 4.2% charge against the general fund capital financing requirement (CFR).	We have: Reviewed whether the MRP has been calculated in line with the statutory guidance Assessed whether the Authority's policy on MRP complies with statutory guidance. Assessed whether any changes to the Authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full Council continued	Our audit work has not identified any issues in respect of the key judgements and estimates applied

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision (continued)		Considered the reasonableness of the increase/decrease in MRP charge Due to the lack of assurance over opening balances we are unable to confirm whether the capital expenditure and financing disclosure is accurate and complete. New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.	

Other findings – Information Technology

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

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Related significant risks/other risks**
Business World Unit 4 (financial ledger)	Design and implementation	● [Amber]	● [Amber]	● [Green]	● [Green]	N/A
Active Directory	Design and implementation	● [Green]	● [Green]	● [Black]	● [Black]	N/A

Assessment:

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

6 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit and Procurement Committee. We have not been made aware of any significant incidents in the period, and no other issues have been identified during the course of our audit procedures. • We have not identified any issues regarding management's process for identifying and responding to the risks of fraud in the entity.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed, however our work on this area is not complete.
Matters in relation to laws and regulations	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	• A letter of representation will be requested from the Council in January.

Other communication requirements

Issue	Commentary
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. Confirmations were received for all the Council bank accounts, UKBIC and CSWDC. Confirmations were not received by this report date for one of the schools. Where confirmations were not received, alternative procedures were carried out to verify the balances disclosed.
Disclosures	• We identified several disclosure issues as detailed in section 7.
Audit evidence and explanations	• We have not received management's assessment of the probability of equal pay claims being successful and the estimation of any associated liabilities • Additional evidence or information is also required from management to conclude our work on the group consolidation, Private Finance Initiatives, financial instruments, prior period adjustments, related parties, impairment of assets under construction, credit loss allowances and the allowance for impaired debt. • All other information and explanations requested from management were provided.
Significant difficulties	• No significant difficulties were encountered during the audit.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. (continued)

Other responsibilities

Issue	Commentary
Going concern	Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. However, as this year's audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We have reviewed the other information for 2024/25, however due to the lack of assurance over comparative information, and the disclaimer of opinion that will be issued for the 2024/25 accounts, we will issue a disclaimer of opinion on this matter.
Matters on which we report by exception	We are required to report on matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. As a result of the disclaimer of opinion on the financial statements, we are required to disclaim our reporting on the Annual Governance Statement and are therefore unable to conclude on its compliance with CIPFA/SOLACE guidance or its consistency with audit information. We have nothing further to report on these matters

Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We note that work is not required as the Authority does not exceed the specified group reporting threshold.
Certification of the closure of the audit	Due to the timetable for the Whole of Government Accounts, we are unable to issue the certificate alongside the audit opinion.

7 Audit adjustments

Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Classification of short-term temporary deposits Temporary deposits with original maturities of less than three months had been classified as short-term investments. Under the CIPFA Code of Practice on Local Authority Accounting and IFRS requirements, such deposits should be classified as cash and cash equivalents, as they are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.	Nil	DR – Cash and Cash Equivalents 24,980 CR – Short-term Investments 24,980	Nil	Nil
Overall impact	0	0	0	0

Audit adjustments

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Note 3.6 Income & Expenditure Analysis	£1.456m impairment of debtors has been classified within 'Depreciation, amortisation, and impairment' in Note 3.6. While the Code does not provide explicit definitions for the categorisation of impairments, Section 3.4.2.40 of the Code states that 'The income and expenditure allocated to services should reflect the segmental structure provided by the expenditure and funding analysis. Each service segment shall include the appropriate charges for the use of its non-current assets under Sections 2.3, 4.1, 4.5, and 4.7 of the Code, e.g. depreciation, impairment, impairment reversals, etc.' The different categories within this note should reflect transactions of a similar nature. Typically, the 'Depreciation, amortisation, and impairment' category is used for charges related to non-current assets. As the impairment of debtors does not relate to non-current assets, we consider it would be more appropriately classified within 'Other service expenditure,' which reflects transactions of a similar nature.	Yes
Note 3.11 Pooled Budgets – Better Care Fund	To enhance the clarity of the pooled budgets disclosure, we recommended that management - Include a footnote or additional narrative to explain the role of the ICB and the reason for excluded ICB expenditure. - Clarify the principal / agent relationship	Yes
Note 3.12 External Audit Costs	The Housing Benefit Grant Certification external audit fee for 2024/25 has been understated by £0.1m.	Yes

Audit adjustments

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 3.15 Property, Plant & Equipment	The debit impact of the transition to IFRS 16 for Private Finance Initiative (PFI) assets within property plant and equipment and infrastructure was not separately disclosed. The debit impact of the transition to IFRS 16 for right of use (ROU) assets was disclosed in section '3.28 Lease' (table Authority as Lessee, Right-of-use Assets). To resolve the missing IFRS 16 transition PFI disclosure, the debit impact should be presented in a separate line within the property, plant and equipment table after the opening balance. The total impact of the transition to IFRS 16 for all assets was £33.968m, of which £30.663m relates to Other Land & Buildings, £0.693m relates to Vehicles, Plant & Machinery and £2.612m relates to Infrastructure Assets.	Yes
Note 3.15 Property, Plant & Equipment	We identified £5.564m of research and development expenditure that was capitalised during the year and subsequently derecognised at year end. This occurred because the project remains in the development stage and there is uncertainty as to whether it will result in an operational asset. In our view, this expenditure should not have been capitalised, as capitalisation is only appropriate when there is reasonable certainty that an operational asset will result. As the capitalisation of expenditure has been derecognised at year end, there is no impact on the balance sheet, however both additions and disposals have been overstated by £5.564m.	No
Note 3.15 Property, Plant & Equipment	We identified that the land size apportionment applied by the external valuer was inconsistent with the information provided by the Council for the Browns Lane Residential Development Site. This resulted in a £1.57m undervaluation of the land asset.	No
Note 3.30 Retirement Benefits	A narrative disclosure should be included within the retirement benefits note to outline the recent developments of the Virgin Media Limited v NTL Pension Trustees II Limited legal case and the potential impact on the Council	Yes

Audit adjustments

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 3.30 Retirement Benefits	The Council received a revised actuarial report for 2023/24 on 12 June 2025. The total impact of the changes to the report (£3.699m) are immaterial, meaning a prior period adjustment is not required and the Council appropriately decided to process the adjustments in the 2024/25 financial year. When reconciling the draft accounts to the updated actuarial report, we noted that some figures within the pension fund disclosure had not been updated to reflect the revised report. Management have also split the unfunded and funded benefits out to show these separately within the pension tables of the accounts.	Yes
Note 3.30 Retirement Benefits	We have identified an unadjusted misstatement relating to the interest element of the asset ceiling adjustment (see page 61 for details). Despite deciding not to adjust the classification within the core financial statements, management have agreed to split out the £4.304m interest element of the impact within the pension disclosure notes to provide clarity for the reader.	Yes
Note 3.30 Retirement Benefits	The reconciliation from the opening balance to the closing balance for the asset ceiling adjustment as required by Code 6.4.3.45 6 had been omitted from the draft accounts.	Yes
Note 3.28 Leases	The maturity analysis of lease liabilities category 'one to five years' is understated by £1.281m. The understatement is due to a formula error within the supporting working paper.	Yes
Note 3.33 Financial Instruments	The Cumulative Gain/(Loss) in FRR disclosed for the Coventry Municipal Holdings Ltd shareholding is understated by £4.751m as the figure has not been updated for the current valuation obtained as at 31 March 2025.	Yes

Audit adjustments

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 3.26 Notes to the Cash Flow	There are material 'other' entries for adjustments for non-cash items and investing activities. Further analysis should be provided here to detail what is included.	Yes
Note 3.25 Notes to the Cash Flow	The net gain/loss on the sale of fixed assets has been allocated to Other Non Cash items within the Adjustments for Non Cash Movements table, which is not compliant with the Code. The Other Non Cash items should include the carrying value of assets sold in year of £0.564m only. The £2.177m proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets should be included as an additional line within the table 'Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities'	Yes
Note 3.9, 3.20, 3.27 & 3.33	The Code requires that comparatives are included for all amounts reported in the draft accounts. Comparatives had been omitted in note 3.9 Deployment of Dedicated Schools Grant, Note 3.20 Capital Commitments, Note 3.27 Private Finance Initiative and Note 3.33 Financial Instruments	Yes
Note 5.2 Significant Assumptions made in estimating Assets & Liabilities	The disclosures within note 5.2 does not meet all requirements of IAS 1 and should be updated.	Yes
Note 5.7 Accounting Policies	The asset lives for non-current assets have not been disclosed within the Council's accounting policies	Yes
Throughout	A number of typographical, grammatical and formatting errors have been identified throughout the financial statements.	Yes

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
<u>Pensions Asset Ceiling Adjustment</u> The full impact of the asset ceiling adjustment has been recognised within the 'remeasurement of the net defined benefit liability' line within the CIES. However, part of this adjustment relates to the interest impact, which should be reflected within 'net interest on the net defined benefit liability' under finance and investment income in the CIES. The interest impact is £4.304m, which is not material, and management have decided not to amend on this basis.	DR – Finance and Investment Income and Expenditure 4,304 CR – Remeasurement of the net defined benefit liability (4,304)	nil	nil	nil

Audit adjustments

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
<u>Section 278/38 Creditors</u> S278/38 monitoring fees are charges set to recover the cost to the Council of undertaking technical approval and site inspection of highway works. Income is coded to the balance sheet as a receipt in advance (creditor) and income is drawn down at the end of each year depending on how much work has been performed on each scheme. Management have been unable to provide signed agreements or alternative supporting documentation for 4 sample items. As the issue is specific to S278/38 creditors, we can isolate the issue to this population. We have extrapolated the errors to give a projected potential overstatement of creditors of £3,234k.	CR – Income (3,234)	DR – Short Term Creditors 3,234	CR – Income (3,234)	CR – Income (3,234)
Overall impact of current year unadjusted misstatements	(4,234)	3,234	(3,234)	(3,234)

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	Valuation of land and buildings input data As part of our audit procedures, we tested the input data used in the valuation of a sample of land and buildings assets against supporting documentation. For one item in our sample—the Browns Lane Residential Development—we identified inconsistencies between the land size apportionment provided by the Council and the data applied by the external valuer. We estimate the potential impact of this discrepancy to be an understatement of £1.57m (see page 58 for further detail).	We recommend that all data provided to external valuers is subject to robust review by management, confirming that input information is accurate, complete, and consistent with Council records. **Management response** The Council has significantly strengthened valuation governance in recent years, including clearer instructions to external valuers and enhanced internal review of valuation inputs and outputs. Management has reviewed the circumstances giving rise to this instance and will further refine existing data verification and reconciliation procedures with the aim of reducing the risk of inconsistencies in information provided to valuers. The Council considers this an area of ongoing process improvement rather than evidence of a systemic breakdown in valuation controls.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Low	<u>Long Term Investments Valuation Methodology</u> Whilst we are satisfied that the long-term investment balances are not materially misstated, we have identified three minor recommendations for management to consider in future years: • The valuation of the Council's long-term investment in Sherbourne Recycling Ltd is made on an income-based valuation approach and the net asset approach has been used as a cross-check. We consider this approach reasonable; however, the robustness of the valuation could be enhanced by also performing a cross-check using a market-based approach. • Our sensitivity analysis of the income approach applied to value Sherbourne Recycling Ltd implied a 2025/26 EBITDA multiple of approximately 13.0x, which is above the range observed for listed comparable companies (3.7x to 6.9x). We also performed an implied EBITDA multiple cross-check based on the valuation, which resulted in an EV/EBITDA multiple of 9.2x—again above the observed range. Whilst we are satisfied that applying a lower EV/EBITDA multiple would not change the value conclusion at the valuation date, this may not be the case in future years. • The valuations of Coombe Abbey Park Limited and Tom White Waste Limited use pre-IFRS 16 EBITDA, adjusted to include rental payments. We agree with this approach provided it is applied consistently. However, sourcing pre-IFRS 16 multiples is likely to become more challenging in future years, which may impact the reliability of future valuations.	We recommend that management review the EBITDA multiples applied in the long-term investment valuations for future years and also consider a market-based valuation approach for the Authority's investment in Sherbourne Recycling Limited. **Management response** The Council agrees with the recommendation. The valuation of the Council's long-term investment in Sherbourne Recycling Limited has been undertaken using an income-based approach, with a net asset position used as a reasonableness cross-check, which management considers appropriate given the nature of the investment. For future valuations, management will review the EBITDA multiples applied and consider whether additional market-based benchmarking can be incorporated as a supplementary sense-check, where relevant and proportionate, to further enhance the robustness of the valuation methodology.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Medium	<u>Expenditure Capitalisation</u> We have identified instances where expenditure was initially capitalised as additions to assets but later derecognised at year end after management concluded that the expenditure did not extend the asset's useful life or enhance its service potential. While these derecognitions were correctly reflected in the CIES and balance sheet, the initial capitalisation was inappropriate, resulting in an overstatement of both additions and disposals within the Property, Plant & Equipment note (Note 3.14). Whilst we have satisfied ourselves that the total potential impact is not material in the current year, it is indicative of inappropriate classification and has the potential to become a larger issue in future years.	We recommend that management strengthen their review process for capital expenditure and ensure that only costs meeting the requirements for capitalisation are recorded as additions. **Management response** The Council agrees with the recommendation and has already taken steps to embed reviews into the initial capital work-order (project) set-up process and as part of regular team meeting discussions.
● Low	<u>Accumulated Absences Accrual</u> Management currently calculates the accumulated absences accrual using percentage assumptions derived from a budget holder survey undertaken when the requirement to accrue for accumulated absences was first introduced. Whilst we are satisfied that the accrual is not materially misstated, the methodology is based on outdated information and may not reflect current working patterns.	We recommend that management update the approach used to calculate the accumulated absences accrual by incorporating more up-to-date data, including actual annual leave carried forward per payroll records. **Management response:** The Council agrees with the recommendation and will be updating the information upon which the accrual is based for the 2025/26 accounts

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Medium	IT audit findings The IT audit identified two risks in relation to inadequate specification and approval of user access requests (rated medium) and Password requirements on Active Directory and Business World not aligning with the Council's password policy (rated low). The issues and risks are detailed within the separate IT Audit Findings Report.	Management should: • Consider establishing a formal document that outlines the levels of access and roles to be assigned to users based on their specific levels and grades. This document should include detailed information on data and menu permissions required by budget holders. • Consider establishing that prohibits users from approving their own access requests. Ensure that all access requests are reviewed and approved by an appropriate independent individual who is not the requester or the associated user. • Ensure that all user access requests are fully documented and approved by the designated approver before any permissions are granted. • Review and update the password policies in Active Directory and the system to ensure they comply with the entity's established password standards. This includes setting minimum password length and enforcing password history requirements • Conduct regular audits of password policies to ensure ongoing compliance with the entity's standards and to identify any discrepancies promptly. • Review the Council's password standards to ensure they are up-to-date and align with industry best practices Please refer to our separate IT audit findings report for more details and management responses.

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2023/24 financial statements, which resulted in six recommendations being reported in our 2023/24 Audit Findings Report. An update on actions taken by management to date is included below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Audit trail in relation to schools' income & classification** In the context of schools' income, they receive funds from the Council and other external sources. To determine the income to be recorded in the CIES for schools, management compares the trial balances from the schools to payments made by the Council and records the difference as income. For 2023/24, we identified this amount to be £8.073m. However, there is a risk due to the lack of a clear audit trail for external income received by schools, which means there is no confirmation that the balancing figure truly represents external income, and whether it should all be classified as fees and charges income (as it currently is in note 3.6),or should be split into various classifications of income. We suggest implementing controls to verify that the balancing amount credited to income accurately represents true external income for schools and is classified correctly in the accounts. Additionally, a transactional breakdown of the amounts credited should be provided for auditing purposes	We have obtained managements workings for schools income for the 2024/25 financial year and confirmed that further analysis has been performed to align each account code to the appropriate category.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Group accounts- consistent financial reporting** We have highlighted issues on page 11 where there appears to be mismatched interpretations of significant transactions between the Council and UKBIC. The Council is the 100% shareholder of UKBIC, and we would therefore expect the Council to ensure alignment of accounting; or demonstrate full understanding and oversight of the company's chosen accounting and discrepancies. There is a risk that if the Council's companies are incorrectly accounting for transactions, there could be tax liabilities to the group which are not provided for, and other regulatory consequences. We recommend the Council reaches consensus with UKBIC on the nature of the transactions entered into for the £18m arrangement and the transfer of assets under lease. Where valid accounting differences exist, these should be understood and verified by the Council and demonstrated to the auditor.	Following a detailed review of the arrangement, the Council and UKBIC have reached a consensus that this arrangement should be accounted for as a lease. The council have included a prior period adjustment in the 2024/25 accounts to reflect the change in accounting treatment.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Valuation of long-term investments in companies** Upon review of management's rationale for including the Council's investment in UKBIC at nil valuation, we found the basis of the judgement to be a valuation report received from BDO in 2021. The report highlighted that the valuation was based on latest information and disclaims judgement for events after the date of issue. We requested an updated paper from management which took account of events after the valuation report. Our work in this area is not concluded. We recommend the Council revise their valuation assessments for long term investments in companies at each year end, setting out relevant events, conditions and judgements made.	The Council have obtained updated valuations as at 31 March 2025 for all long term investments in companies except for the University of Warwick Science Park Innovation Centre Limited and Coventry and Warwickshire Growth Hub. Both companies have nominal income, immaterial assets and do not function for the purpose of generating shareholder profit. We are therefore satisfied that the Councils assessment of a nil valuation for these companies at 31 March 2025 is reasonable.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Access controls to group ledger** The group consolidation working papers are kept on a shared drive which can be accessed by all members of the corporate finance team, there is therefore a risk that this could be edited in error and there is an increased risk of fraudulent financial reporting. We recommend that access to these workings, particularly the double entry consolidation adjustments and intra-group adjustments are restricted to the appropriate individuals.	Access controls have not ben implemented in the 2024/25 financial year. **Management response** Management does not recognise a material fraud risk arising from access to the group consolidation working papers. The group ledger is maintained by a single officer with specialist knowledge of the consolidation process, and any inappropriate or inconsistent amendments should be identifiable through reconciliation checks within the working papers and against supporting primary ledgers. While management considers the primary risk in this area to be inadvertent error rather than fraudulent manipulation, additional assurance will be introduced through a formal peer review. As part of the year-end closedown process, a separate Lead Accountant within Corporate Finance will carry out a documented review of the group consolidation working papers, with particular focus on key reconciliations and consistency across supporting schedules. On this basis, management does not consider that restricting access or introducing password protection to the group working papers is currently a proportionate control enhancement.

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	IT audit findings report We draw your attention to the recommendations made in our separate IT audit findings report, which was presented to the Audit and Procurement Committee at the 26th November 2024 meeting. Please refer to our separate IT audit findings report for recommendations and management responses.	Please refer to our separate IT audit findings report for recommendations and management responses.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Lack of journal authorisation control** We found that there is no authorisation process for journal postings in the finance system. The control environment relies on budgetary processes (i.e. management account review) and access controls, which do not fully mitigate against the risk of fraud or error due to the lack of authorisation controls. This presented a heightened opportunity risk for fraud. We recommended the Council introduce a journal authorisation control with segregation of duty between preparer and authoriser. We recommended authorisation privileges are limited to appropriate finance managers	There is still a lack of journal authorisation controls in te 2024/25 financial year. Management response Management does not consider that the absence of formal pre-authorisation for journal postings gives rise to a significant fraud risk in the same manner as may arise in the private sector. Journal posting and financial authorisation processes operate separately, and budget holders routinely review their cost centres as part of normal financial management processes. However, management recognises the benefit of strengthening oversight in this area. Accordingly, during 2025/26, additional post-posting review procedures will be introduced to supplement existing budget holder reviews. These will focus on higher-risk and higher-value journals (for example year-end accruals and other significant manual adjustments), using defined value and risk-based criteria. Reviews will be carried out by Finance Managers on a retrospective basis, with confirmation of review forming part of the year-end process. This approach is intended to strengthen assurance in a proportionate and practical manner without introducing excessive operational constraints.

8 Value for Money arrangements

Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR was reported to you at the 24 November 2025 meeting of the Audit and Procurement Committee.

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

Improving economy, efficiency and effectiveness

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

Financial sustainability

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

Governance

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

In undertaking this work we have not identified any significant weaknesses in arrangements.

9 Independence considerations

Independence considerations

As we are Statutory Auditors of the Council in the United Kingdom ("UK"), we are required to follow International Standard on Auditing (UK) 260 and the Ethical Standard (December 2019) 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 for the 2024/25 financial year and therefore the relevant requirements of the FRC Ethical Standard have been applied and have been included in this report. The Council disposed of its listed debt in March 2025, and as a result will not meet the definition of a public interest entity for financial periods subsequent to 2024/25.

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 Authority, its directors and senior management and its affiliates (the 'group') that, in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity. In this context, there are no independence matters that we would like to report to you.

Independence considerations

We are 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 to charge non-audit fees up to a cap of £180,000. As non-audit fees are below this cap, we do not consider there to be a threat to our independence.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or the Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or group or investments in the Authority or group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority or group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority or group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority or group, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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

Fees and non-audit services

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

Audit fees	£
Coventry City Council and group audit	510,656
IFRS 16 implementation – fee variation	10,000 (TBC)*
Total	520,656

*The fee variation is subject to approval by PSAA. The Council should report this fee within the 2025/26 financial statements once the amount is confirmed.

Fees and non-audit services

The non-audit services below are consistent with the group and Authority's policy on the allotment of non-audit work to your auditor [or explain exceptions] [including where the service(s) are provided by Grant Thornton International Limited network member firms who are aware of that policy] 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 and its group. 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.

Audit-related Non-Audit 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.

*The 2023/24 and 2022/23 fees were disclosed in the 2023/24 and 2022/23 financial statements respectively

Fees and non-audit services

Audit-related Non-Audit 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

The above fees are exclusive of VAT and out of pocket expenses. The fees agree to the financial statements following agreed audit adjustments to note 3.12 External Audit Costs.

*The 2023/24 fee was disclosed in the 2023/24 accounts.

Fees and non-audit services

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**		

The above fee is not disclosed in the financial statements of the Council.

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

10 Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Confirmation of independence and objectivity of the firm 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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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		●
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		●

A. Communication of audit matters with those charged with governance

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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