

The Audit Plan for Coventry City Council

Year ending 31 March 2026

4 March 2026



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The Backstop

The Future of 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 require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027; and
- for years ended 31 March 2028 by 30 November 2028.

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

Local Audit Recovery

In the audit report for the year ended 31 March 2025, a disclaimer of opinion was issued due to the backstop.

As a result, we anticipate that for 2025/26:

- we will have limited assurance over the opening balances for 2025/26
- limited assurance over the closing reserves balance, due to the uncertainty over their opening amount.

We will work with the Council to rebuild assurance over time.

Our Work

In order to meet future statutory deadlines, for 2025/26 we will be working towards an internal deadline of 30 November 2026, as a dry run for future years. Our primary focus for the audit will be on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration disclosures; and closing balances for 2025/26. Our objective is to continue to rebuild assurance, by providing assurance over the in year 2025/26 transactions and movements, where possible, and those closing balances which can be purely determined in isolation without regard to the opening balance, such as payables and receivables. As our work progresses, we will formulate a more detailed strategy as to how assurance can be gained on prior years. We will need the cooperation and input of management throughout the rebuilding process.

Introduction and headlines



Purpose

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

Respective responsibilities

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

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and Group's financial statements that have been prepared

by management with the oversight of those charged with governance (the Audit and Procurement committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

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

Our audit approach is based on a thorough understanding of the Council and Group and is risk based.

Introduction and headlines (continued)

Significant risks

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

- Management override of control
- Valuation of land and buildings and investment properties
- Valuation of pensions net asset/liability
- Accounting for the Group and related disclosures
- Valuation of long-term investments

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

Materiality

We have determined planning materiality to be £18.95m (PY £17.90m) for the Group and £17.80m (PY 16.90m) for the Council, which equates to 1.85% of your prior year gross expenditure for the year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact

of prior period accounts 2024/25 being partially audited, as well as the previous four periods of disclaimed accounts 2020/21 – 2023/24.

We have determined performance materiality to be £13.265m (PY 11.600m) for the Group and £12.460m (PY £10.900m) for the Council.

Clearly trivial has been set at £947.5k (PY £890k) for the Group and £890k (PY £840k) for the Council.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant weakness areas or related risks, requiring separate attention. We will continue to monitor and update our risk assessment and responses until we issue our Auditor's Annual Report.

Audit logistics

Our interim visit will take place in March, and our final visit will commence in June. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £524,953 (PY: £520,656) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

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

Significant risks identified

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

Significant risk	Audit team's assessment	Planned audit procedures
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>Risk relates to</p> <p>Group and Authority</p>	<p>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.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals and group consolidation adjustments • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • test significant consolidation adjustments made to arrive at group account balances • gain an understanding of the accounting estimates applied and critical judgements made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions



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

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

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment
<p>The revenue cycle includes fraudulent transactions</p> <p>Risk relates to</p> <p>Group and authority</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Council and Group.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and the group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Coventry City Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for Coventry City Council and group.</p>



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

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

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment
<p>The expenditure cycle includes fraudulent transactions</p> <p>Risk relates to Authority</p>	<p>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.</p>	<p>We have identified and completed a risk assessment of all expenditure streams for the Council, as a public body within the group. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is primarily due to the low fraud risk in the underlying nature of the transaction; and for residual expenditure amounts, the immaterial nature of the expenditure streams both individually and collectively.</p>

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of Land and buildings and Investment Properties</p> <p>Risk relates to</p> <p>Authority</p>	<p>The valuation of land and buildings and Investment Properties represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimates, the instruction issued to valuation experts and the scope of their work; • Evaluate the competence, capabilities and objectivity of the valuation expert; • Write to the valuer to confirm the basis on which the valuations were carried out to ensure that the requirements of the CIPFA code are met; • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Engage our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuer's reports and the assumptions that underpin the valuations • Test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly and where appropriate consult with our valuation expert (Auditors expert) ; and • Evaluate the assumptions made by management for those assets not revalued during the year and assess how management have satisfied themselves that these are not materially different to current value at year end.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of the pension fund net asset / liability</p> <p>Risk relates to</p> <p>Authority</p>	<p>The valuation of the pension fund net asset/liability represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Accounting for the Group and related disclosures</p> <p>Risk relates to Group</p>	<p>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.</p> <p>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.</p> <p>We therefore identified group accounting and related disclosures as a significant risk for 2025/26.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that group accounting is not materially misstated and evaluate the design of the associated controls • review the Council's assessment of its group boundary, that is the entities included within the Council's group accounts • test the consolidation adjustments made in producing the group accounts for completeness and accuracy

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of long-term investments</p> <p>Risk relates to Authority</p>	<p>In its single-entity accounts, the Council has elected to report the value of these long-term investments at the balance sheet date at Fair Value. This is allowable under the CIPFA Code, which permits either Fair Value accounting or historical cost accounting. The Fair Value method requires a valuation of each company at the balance sheet date. The Council instruct external experts to, in some cases, determine appropriate valuations, or in other cases, to issue an opinion on the Council's in-house determination.</p> <p>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.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the long-term investments are not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management experts for this estimate and the scope of the experts' work • assess the competence, capabilities and objectivity of the experts who carried out the valuations • assess the accuracy and completeness of the information provided by the Authority to the experts to estimate the fair values • engage our own valuer to assess the instructions issued by the Council to their valuers, the scope of the Council's valuers' reports and the assumptions that underpin the valuations • test the consistency of the values and disclosures in the notes to the core financial statements with the valuation report from the experts

Other risks identified

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

Risk	Description	Planned audit procedures
Equal Pay Claims Risk relates to Authority	The Council has received claims in respect of Equal Pay. 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.	We will: <ul style="list-style-type: none"> • continue to discuss developments in relation to equal pay claims with management and the Audit and Procurement Committee • review management’s assessment of the probability of the claims being successful and the estimation of any associated liabilities • test the basis for related accounting treatment and disclosures • consider all relevant events up to the point of signing our audit opinion and, if significant events are identified, consider management’s judgement as to whether these are adjusting events or non adjusting events.



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

(ISA (UK) 315)

Other matters

Other work

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

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

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Our approach to materiality

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

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Materiality for the group financial statements	18,950,000	<p>This equates to 1.85% of the gross expenditure of the group. We have increased the materiality from 1.75% in the prior year to 1.85% in the current year since the Council is no longer classified as a Public Interest Entity (PIE). We consider gross expenditure to be the most appropriate benchmark given the level of user interest in spend incurred. In determining the percentage of 1.85%, we have taken into account the increased interest in the accounts resulting from the previous five years' accounts being disclaimed.</p> <p>In addition to determining headline financial statements materiality, we also determine a lower 'performance materiality' to be used in assessing the risks of material misstatement and designing audit procedures. In line with firm guidance, we have set performance materiality at 70% of overall materiality, an increase from 65% in the prior year, to reflect the substantial work completed during the previous year's audit. The performance materiality for 2025/26 is therefore set at £13,265,000.</p>
Materiality for the Council financial statements	17,800,000	<p>This equates to 1.85% of the gross expenditure of the Council. We have increased the materiality from 1.75% in the prior year to 1.85% in current year since the Council is no longer classified as a Public Interest Entity (PIE). We consider gross expenditure to be the most appropriate benchmark given the level of user interest in spend incurred. In determining the percentage of 1.85%, we have taken into account the increased interest in the accounts resulting from the previous five years' accounts being disclaimed.</p> <p>In addition to determining headline financial statements materiality, we also determine a lower 'performance materiality' to be used in assessing the risks of material misstatement and designing audit procedures. In line with firm guidance, we have set the performance materiality at 70% of overall materiality, an increase from 65% in the prior year, to reflect the substantial work completed during the previous year's audit. The performance materiality for 2025/26 is therefore set at £12,460,000</p>
Materiality for specific transactions, balances or disclosures	30,000	Senior officer disclosure are deemed a specific sensitive area for the users of the accounts. We have therefore applied a lower materiality to Senior officer disclosure notes, using the 1.85% determination above, and applying this to total senior officer remuneration reported in the prior year.



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

IT audit strategy

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

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

IT application	Audit area	Planned level IT audit assessment
Business World – Unit 4	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design and implementation only) Review the Business World Cloud migration project

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Initial Risk assessment of the Council’s VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Financial sustainability	A No risks of significant weakness reported; improvement recommendations made	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant weakness in VFM arrangements

(continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p>Governance</p>	<p>A</p> <p>No risks of significant weakness reported; improvement recommendations made</p>	<p>No risks of significant weakness identified</p>	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.</p> <p>We will assess the arrangements around Equal Pay claims to assess their potential impact on the Council’s financial position alongside assessing the associated legal impact.</p>
<p>Improving economy, efficiency and effectiveness</p>	<p>A</p> <p>No risks of significant weakness reported; improvement recommendations made</p>	<p>No risks of significant weakness identified</p>	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.</p>

Risks of significant VFM weaknesses

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

Potential types of recommendations



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline

Key Dates

Audit phases:

Audit and Procurement committee:
16 March 2026

Year end:
31 March 2026

Close out:
Sept 2026

Audit and Procurement committee:
Sept 2026

Sign off:
27 Nov 2026

Planning –
Jan- Feb 2026

Interim –
March – April 2026

Final –
June - Sept 2026

Completion
Nov 2026

Key elements

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

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Issue Audit Progress Report and sector update to management and Audit Committee
- Any planned additional testing.

Key elements

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

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit Committee
- Audit Findings presentation to Audit Committee
- Auditor’s Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

<p>Andrew Smith Engagement Lead/Key Audit Partner</p> <ul style="list-style-type: none"> • Key contact for senior management and Audit Committee • Overall quality assurance 	<p>Zak Francis Audit Senior Manager</p> <ul style="list-style-type: none"> • Audit planning • Resource management • Performance management reporting 	<p>Megan Hancox Audit Manager</p> <ul style="list-style-type: none"> • Audit planning • Resource management • Project planning and monitoring 	<p>Aaron Chaitezvi In-charge</p> <ul style="list-style-type: none"> • On-site audit team management • Day-to-day point of contact • Audit fieldwork
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Pool of specialists and other technical specialists (e.g. IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The Audit Plan • The Audit Findings • Auditor’s Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

Our fee estimate

Our fee estimate

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

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

Previous year

In 2024/25 the scale fee set by PSAA was £510,656. The actual fee charged for the audit was £520,656.

As the audit report from the 2024/25 (and from 2020/21 to 2023/24) were disclaimers of opinion due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you.

Company	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Coventry City Council Audit	510,656	524,953
IFRS 16 implementation – fee variation*	10,000	N/A
Total (Exc. VAT)	520,656	524,953

* Subject to approval by PSAA

Our fee estimate (continued)

Relevant professional standards

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

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £524,953.

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

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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

Updated Auditing Standards

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

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]). In this context, we confirm there are no matters that we are required to report.

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

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

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

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

Fees and non-audit services

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

The below non-audit services are consistent with the group and council's policy on the allotment of non-audit work to your auditor.

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

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

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefit Subsidy Claim	2025/26: TBC 2024/25: 160,000 2023/24: 140,987	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management (because GT report to DWP)	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 £524,953 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. 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. The Council has informed management who decide whether to amend returns for our findings and agree the accuracy of our reporting. Any changes to subsidy payable will be determined by DWP and we have no involvement in the decision. These factors mitigate the perceived threats to an acceptable level.

Fees and non-audit services (continued)

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Teachers Pensions Return	2025/26: TBC 2024/25: 12,500	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management (because GT report to DWP)	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 £524,953 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. 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. 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) £524,953			(Non-Audit fee) £TBC

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

Fees and non-audit services (continued)

Other non-audit services

Service	£ Threats Identified	Safeguards applied
<p>Associated company work: Independent review of the West Midlands Rail Executive (WMRE) Blueprint for rail devolution</p> <p>(Completed March 2025 to June 2025)</p>	<p>38,000 Self-Interest (Grant Thornton 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)</p> <p>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)</p>	<p>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.</p> <p>Grant Thornton 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.</p>

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

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●

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

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

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

Communication of audit matters with those charged with governance (Continued)

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.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

IFRS 18 Presentation and Disclosure in the Financial Statements

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

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

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

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from [2027/28](#).

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

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

Scope of group audit

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

Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the group auditor

- Specific audit procedures designed by a component auditor
- Analytical procedures at group level

Scope of group audit

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

Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the group auditor

- Specific audit procedures designed by a component auditor
- Analytical procedures at group level

Scope of group audit (continued)

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.

Involvement in the work of component auditors

In order to use the work of the component auditor, we will require the ability to access relevant component auditor documentation to complete our group audit. The nature, time and extent of our involvement in the work of Crowe LLP and Ernst & Young LLP will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component audit documentation and meeting with appropriate members of management. We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.

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

Fraud and litigation

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



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