

The Audit Findings for Gloucestershire County Council

Year ended 31 March 2022

Gloucestershire County Council

Updated – 20 January 2023



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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, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Governance Committee.

Alex Walling

Name : Alex Walling

For Grant Thornton UK LLP

Date : January 2023

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Gloucestershire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for 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 Council's financial statements:

- give a true and fair view of the financial position of the Council and its 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), Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during June-January. This report is an updated version of our report presented to Audit and Governance Committee on 30 November 2022. Our findings are summarised on page 5 to 22. We have identified two adjustments to the financial statements with an impact on the Council's Comprehensive Income and Expenditure Statement of £19.692m.

We reported our interim findings to the Audit and Governance Committee on 30 November 2022 and our work has continued. This report outlines the work completed since this Committee meeting and issues identified from this work which are highlighted in a different colour for ease of reference.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and, to date, there are no matters of which we are aware that would require modification of our audit opinion at Appendix E or material changes to the financial statements, subject to the following outstanding matters:

- Completion of audit work for related parties, senior officers remuneration, provisions and financial instruments;
- Consideration of any further emerging guidance on Infrastructure assets;
- Finalisation of going concern assessment;
- Review of the Narrative Report;
- Receipt of management representation letter; and
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have not yet completed all of our VFM work and so are not in a position to issue our 2021/22 Auditor's Annual Report. A letter explaining the reasons for the delay is attached in the Committee papers. [We expect to issue our Auditor's Annual Report by 28 February 2023. This is later than previously expected due to staff sickness.](#) This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our 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. We have not identified any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources to date. Our work is in progress and an update is set out in the value for money arrangements section of this report.

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.

To date we have not exercised any of our additional statutory powers or duties.

In this context we disclose to Those Charged with Governance that we have received a valid Objection which is under review, regarding the Council's Definitive Map.

[We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, the Whole of Government Accounts work \(guidance not yet received from the NAO\), and conclusion of the Objection.](#)

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

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

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

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our Progress Update presented to the Audit & Governance Committee and dated July 2022, during the course of the audit both your finance team and our audit team faced audit challenges this year, in respect of remote working arrangements. This resulted in us having to carry out additional procedures in respect of remote working; including remote viewing of financial systems, video calling, physical verification of assets, and the need to verify the completeness and accuracy of information provided remotely produced by the entity.

Further we note that the IT significant deficiency which has been ongoing from prior years continued in 2021/22. This resulted in us having to carry out additional audit procedures, as summarised in Appendix D, to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting [on 20 January 2023](#), as detailed in Appendix E. These outstanding items are detailed on Page 3 of the report.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan in March 2022.

We detail in the table below our determination of materiality for Gloucestershire County Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£15,200,000	Equates to 1.5% of prior year gross expenditure
Performance materiality	£11,400,000	Equates to 75% of materiality figure
Trivial matters	£764,000	Equates to 5% of materiality figure
Materiality for Senior Officer Remuneration.	£30,000	Equates to 1.5% of the senior officer disclosure. A lower level has been set due to sensitivity of the disclosure.



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan

Commentary

Management over-ride of controls

Under ISA(UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management over-ride of control, in particular journals; management estimates; and transactions outside the normal course of business; as a significant risk, which was one of the most significant assessed risk of material misstatement.

We have completed the following work:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- identified and tested unusual journals made during the year and during the accounts production stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and
- evaluated the rationale for any changes in accounting policies, estimates, or significant unusual transactions.

Our audit work is complete and has identified the following issues:

Our testing identified a number of manual journals that had no descriptions. While it is not required that journal entries have descriptions, it is considered best practice thereby ensuring that the purpose of the journal can be easily identified and to minimise the risk of fraudulent transactions.

Our testing identified a segregation of duties issue whereby the Council does not have any preventive or detective control in place to check journals made by the team members. Further, approval on the transactions is obtained retrospectively and is outside of the SAP system.

Our testing further identified an issue with access for journals authorisation, whereby segregation of duties within SAP was identified as a significant deficiency within our IT General Controls testing.

While we did not identify any misstatements or evidence of management override of controls as a result of the issues identified, we have raised three recommendations in relation to the controls in place around journal entries within Appendix A (Action Plan).



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

ISA240 Revenue Risk

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

In our audit plan in March 2022, having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council., we determined that the risk of fraud arising from revenue recognition could be rebutted for Gloucestershire County Council significant, because:

- There is little incentive to manipulate revenue recognition;
- Opportunities to manipulate revenue recognition are very limited; and
- The culture and ethical frameworks of local authorities including Gloucestershire County Council mean that all forms of fraud are seen as unacceptable.

Therefore we did not consider this to be a significant risk for Gloucestershire County Council. Following receipt of the draft financial statements, we have determined that there has been no change to our assessment reported in the audit plan.

Risk of fraud related to expenditure recognition PAF Practice Note 10

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatement due to fraudulent financial reporting may arise from the risk of manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

In our audit plan in March 2022, we determined that the risk of fraud related to expenditure recognition could be rebutted for Gloucestershire County Council. Therefore we did not consider this to be a significant risk for Gloucestershire County Council and therefore we have determined that there has been no change to our assessment reported in the audit plan.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Council revalues land and buildings on a rolling basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and building, particularly revaluations and impairments as a significant risk, which was one of the most significant assessed risk of material misstatements.

We have completed the following work:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- Evaluated the competence, capabilities and objectivity of the valuation experts;
- Written to the internal valuers used for all assets, and to external valuers where appropriate, to confirm the basis on which the valuations were carried out;
- Used an auditors expect to gain assurance that Council's approach to the valuations process was appropriate;
- Challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding Tested on a sample basis revaluations made during the year to ensure they have been input correctly into the Council's asset register; and
- Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these were not materially different to current value.

Our audit work has identified the following issues:

- Asset lives disclosed within the accounts were incorrect and were updated by management to reflect the appropriate lives for Vehicles, Plant, Furniture & Equipment assets.
- Assets with no remaining life are included within the Fixed Asset Register. The Council should ensure that asset lives are being appropriately applied and assets are removed when the life has expired and the asset is no longer in used.
- In 2021/22 the Council migrated their Fixed Asset Register from SAP over to the Techforge system. This migration identified errors in some of the amounts coming out of the SAP system. Work was performed by the Council to determine the impact of this and it found that the revaluation reserve in the balance sheet was understated by £961k for prior years. This was identified by the Council prior to the 2021/22 draft accounts being produced and was included as an in year adjustment in the draft 21/22 accounts. This amount has been corroborated by the audit team.
- It was identified that valuations on PFI assets were not being appropriately recorded in the accounts, this issue occurred when the valuations were entered into the specialist PFI and PPP models. In the models the assets were being treated as valued at the beginning of the year (1 April) when in fact valuations occurred at year end (31 March), resulting in errors in the depreciation and valuation amounts. The combined impact of these errors was significant and was therefore adjusted within the accounts 2021/22. The cumulative effect is £18,325k on the Balance Sheet and Income and Expenditure.

In addition, our testing of the information and assumptions used within the Council's valuation has identified four issues:

- For one school, there was an error whereby the "Number on roll" data had been incorrectly entered which resulted in an error in the calculation of the Modern Equivalent Asset floor area. This type of error could occur in any school where the "NOR" data is applicable as part of the valuation. We undertook a testing exercise to determine if any other schools were affected by the error and no further issues were identified. The impact of this error is an overstatement of £943k of the school's valuation.
- For one school, an incorrect valuation rate had been applied. The rate applied was a higher rate applicable to the majority of schools and the school's value was overstated as a result. We undertook a testing exercise to determine if any other schools with a lower rate were affected by the error and confirmed this was an isolated incident. The impact of this error is an overstatement of £2,443k of the school's valuation.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings (cont).

- Floor plans are a key assumption in the valuation of the Council's buildings. The floor plans provided did not detail floor area for two samples and the Council undertook a physical re-measurement of the buildings. For one building, this identified that the floor area was understated due to an extension which had been excluded incorrectly from the original valuation. The impact of this error is an understatement of £1,551k with a potential understatement of £4,563k across the Council's buildings when extrapolated. For one building, this identified that the floor area was overstated due to an extension which had been incorrectly double-counted within the valuation. The impact of this error is an overstatement of £2,721k with a potential overstatement of £8,008k across the Council's buildings when extrapolated.
- In 2021/22, two assets were valued which were non-school assets. An overstatement of £842k was identified in relation to one of these assets due to an error in the valuation calculation.

The total actual error value identified to date as a result of the issues identified is £5,397k, and the total potential error value is £7,673k which is reported to Those Charged with Governance within Appendix A (Action Plan).

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

The Council's pension fund net liability, as reflected in its 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 (£467m in the Council's balance sheet in relation to the Local Government Pension Scheme) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have completed the following work:

- Updated our understanding of the processes and controls put in place by management to ensure the Council's net pension fund 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 evaluated 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;
- Undertook 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, and
- Obtained assurances from the auditor of Gloucestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data, and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We have not identified any issues in respect of the source data, or adequacy of management's processes. We have included a detailed review of management's estimation process in the key judgement and estimates section.

Our audit work has noted that one assumption used in the calculation for the valuation of the pension fund net liability (salary growth) does not fall in line with the auditor's expert. The auditor's expert expected assumption for the salary assumption is CPI + 0.5%pa, however the actuary has used CPI + 0.3% in their calculations. We have determined that this has not produced a material misstatement in the financial statements. Management have provided further support in their use of the assumption. See Appendix A for recommendation raised.

2. Financial Statements - Other risks

Risks identified in our Audit Plan

Valuations of Infrastructure Assets

The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment.

We identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.

Commentary

The inherent risks which we identified in relation to infrastructure assets were:

- an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components
- a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges.

We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force in late December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and is planning to issue further guidance later in January 2023 in relation to useful economic lives (UELs).

We have completed the following work focusing on the Council's current year's infrastructure assets:

- Reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets
- Evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UELs
- Evaluated the competence, capabilities and objectivity of any management expert relied upon
- Challenged the information and assumptions used to inform the estimate
- Considered whether there has been any replacement of assets that have not been fully depreciated and evaluated the subsequent derecognition of the replaced assets.

Based on our work, we are satisfied that the Council has:

- correctly applied the SI and the requirements in the CIPFA Code update
- appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements
- not identified any prior period adjustments requiring disclosure in the accounts.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>IT Control deficiencies</p> <ul style="list-style-type: none"> We carried out an assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. 	<p>As part of this work we have identified the following weaknesses which impacted on our audit approach.</p> <p>One significant control weakness was noted in SAP:</p> <ul style="list-style-type: none"> Business users with conflicting access in SAP <p>Two further control weaknesses were noted in SAP:</p> <ul style="list-style-type: none"> Insufficient oversight of third-party users assigned with privileged access within SAP Segregation of duties conflicts between change developer and implementer access <p>In 2020/21 we identified seven weaknesses, of which five remain outstanding or partially remediated:</p> <ul style="list-style-type: none"> Segregation of Duties within SAP – Partially remediated Inadequate SAP security settings – Not remediated Deficiencies in SAP user access management process – Not remediated Lack of user access reviews – Not remediated Incomplete change management documentation – Partially remediated Lack of post-implementation reviews of changes – Fully remediated Lack of batch administration documentation – Fully remediated 	<p>We have not identified any misstatements as a result of the significant control deficiency identified.</p> <p>We have provided management with a detailed list of recommendations in relation to the findings identified.</p> <p>Based on corroborative enquiries with management, it was understood the Council is currently looking to upgrade/replace its current SAP system and role design/setup and user management/maintenance will be reviewed and considered during design workshops for the new system.</p> <p>We recommend that the Council look to upgrade/replace its current SAP system where feasible to address the identified deficiencies.</p>

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £989.2m</p>	<p>Other land and buildings comprises £989.2million of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUJ) at year end. The Council has engaged its inhouse valuer to complete the valuation of properties as at 31 December 2021. The inhouse valuer utilises the support of external valuers as required.</p> <p>The Council engages its inhouse valuer to undertake the annual valuations. The valuer utilises the support of external valuers where required. The Council's land and buildings are revalued on a cyclical basis with school assets and non school assets valued in alternate years.</p> <p>In 2021/22, the Council has valued all school assets as at 31 December 2021. The total value of assets formally revalued during 2021/22 was £786.2m.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2021. The inhouse valuer has applied indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued found that there was a £6.1million increase in these valuations and therefore the valuation of the asset was updated to £147.4million. The total year end valuation of land and buildings was £989.2m, a net increase of £117.9m from 2020/21 (£871.3m).</p>	<p>The valuation of other land and buildings valued by the valuer has resulted in a net increase of £117.9m from the prior year.</p> <p>Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 December 2021, through a review of local conditions and the application of indices, to determine whether or not there has been a material change in the total value of these properties. Management's assessment of assets not revalued identified a change to the valuation totalling £6.1m, and this change was incorporated within the property values in the draft accounts. From our review of management's processes and assumptions for the calculation of the estimate, we are satisfied that this does not give rise to a risk of material misstatement.</p> <p>Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. We identified a number of issues with the underlying source data including:</p> <ul style="list-style-type: none"> - Error in entry of "number on roll" into valuation calculation - Incorrect valuation rate applied to one school - Missing floor area for two buildings which resulted in an error upon re-measurement due to extensions to the properties, and - An error in the valuation calculation for one building. <p>The potential misstatement identified was £7.673m as set out on page 9.</p> <p>We have further identified two issues in respect of the Techforge migration and the PFI assets:</p> <ul style="list-style-type: none"> - The was an error in calculation of depreciation and revaluation on PFI assets in the PFI model. These were adjusted for in year, see Appendix 3. - Errors in the charges to depreciation and revaluation reserves identified in the move to the new Fixed Asset Register (Techforge). Impact of this error was £961k and this was adjusted for before the draft accounts were produced therefore no adjustment to be reported in Appendix 3. 	<p>Light Purple</p>
<p>Assessment</p>			

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £732.4m

The Council's total net pension liability at 31 March 2022 is £732.4m (PY £903.3m) comprising the Gloucestershire Pension Fund Local Government and unfunded defined benefit pension scheme obligations for the Firefighters' Pension Scheme. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2020. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £170.9m net actuarial gain during 2021/22.

We identified the controls put in place by management to ensure that the Pension Fund Liability is not materially misstated and we also assessed whether these controls were implemented as expected, and whether they are sufficient to mitigate the risk of material misstatement. This included gaining assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place.

We also evaluated the competence, expertise and objectivity of the actuary who carried out the pension fund valuations and gained an understanding on the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made.

We used PwC as our auditor's expert in order to assess the actuary and the assumptions made by the actuary.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.7%	2.7-2.75%	●
Pension increase rate	3.2%	3.15-3.3%	●
Salary growth	3.5%	3.2-4.2% (0.5% above CPI minimum)	●
Life expectancy – Males currently aged 45 / 65	22.6 / 21.7	21.4 – 24.3 / 20.1 – 22.7	●
Life expectancy – Females currently aged 45 / 65	25.8 / 24.1	24.8 – 26.7 / 22.9 – 24.9	●

We identified that the assumption for salary growth does not fall in line with the PwC range – see Appendix A for the recommendation raised.

We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports, and we did not identify any inconsistencies.

Grey

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Schools on Balance Sheet	The Council recognises school land and buildings for Community Schools, Voluntary Controlled, Voluntary Aided and Foundation Schools on its Balance Sheet, where it is probable that the future economic benefits or service flow to the Council, and costs can be measured reliably. The Council has not recognised assets relating to Academies, as it is of the opinion that these assets are not controlled by the Council.	No issues were identified with management's judgement. The assessment for off-balance sheet schools was considered reasonable.	Light Purple
Lender Option Borrower Option - £33.5m	The Council currently has LOBO arrangements totalling £33.5 million and these provide the lender the option to amend the interest rates every 6 months. The Council has reviewed the classification of these arrangements and considered the current economic outlook, recent court rulings and the fact that a number of banking institutions have amended their portfolio to remove such LOBO arrangements from their Balance Sheets. The Council therefore considers that sufficient doubt remains over the call of these options and to ensure sufficient liquidity is available, maintains that these loans should be classified as short-term loans within the financial statements.	No issues were identified with management's judgement. The classification of the LOBOs as short-term loans was considered reasonable.	Light Purple
Useful life of properties	The useful life of assets is estimated by qualified valuers.	<p>Our audit work has identified the following issues:</p> <ul style="list-style-type: none"> - Asset lives disclosed within the accounts were incorrect and were updated to reflect the appropriate lives for VPE assets. - Assets with no remaining life are included within the Fixed Asset Register. The Council should ensure that asset lives are being appropriately applied and assets are removed when the life has expired and the asset is no longer in used. 	Blue

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Fair value estimates for financial assets and liabilities	Fair values of financial assets and liabilities are estimated by the Council's treasury advisors.	Our work has not identified any issues with the fair value estimates for financial assets and liabilities.	Light Purple
Provisions	Provisions are estimated using latest available information.	Our work in this area remains ongoing and we are not able to yet conclude on this estimate. We will conclude on this area when our work is complete.	Ongoing
Bad Debt Levels – £10.93m	Bad debt levels are estimated using past trends and experience.	Our work has not identified any issues with the bad debt provision.	Light Purple
Grant – BEIS - £22.6million – Grant Swap	The Council entered into a swap, totalling £22.6m. This swap occurred as the grant was due to expire if not spent by 30 March 2021 on a specific Cyber project. Management therefore entered into a swap to ensure the grant could be utilised.	We have reviewed evidence to support this approval of this decision by the original grant provider (BEIS) and have seen evidence to support the journals posted in year in relation to this. We have asked for a specific representation on this in the Letter of Representation to us.	Light Purple

Assessment

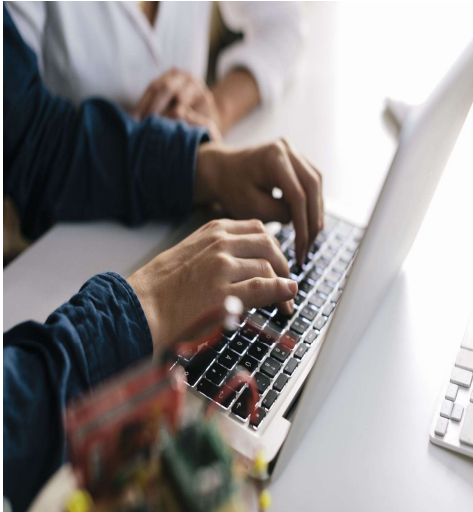
- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee and have been made aware of a number of cases via the Audit and Governance Committee Counter Fraud reporting. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures. The value of the identified incidents is trivial to the financial statements.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
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, which will be included in the January Audit and Governance Committee papers.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to all institutions where the Council holds cash and investment balances and those who lend the Council money. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</p> <p>We requested management to send letters to those solicitors who worked with the Council during the year. This permission was granted and the requests were sent and satisfactory responses have been received in all cases.</p>
Accounting practices	<p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements to date.</p>
Audit evidence and explanations/ significant difficulties	<p>All information and explanations requested from management was provided.</p> <p>As highlighted in our Progress Update presented to the Audit & Governance Committee and dated July 2022, during the course of the audit both your finance team and our audit team faced significant audit challenges this year, in respect of remote working arrangements. This resulted in us having to carry out additional procedures in respect of remote working; including remote viewing of financial systems, video calling, physical verification of assets, and the need to verify the completeness and accuracy of information provided remotely produced by the entity.</p> <p>Further we note that the IT significant deficiency which has been ongoing from prior years continued in 2021/22. This resulted in us having to carry out significant additional audit procedures, as summarised in Appendix D, to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.</p> <p>Additional work was undertaken to identify the Techforge and PFI errors as noted within Appendix C in this report. Errors identified and detailed within this report, and we will communicate any additional fees to management and Those Charged with Governance as a result of this additional testing.</p>

2. Financial Statements - other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>Our work in this area remains ongoing and we will conclude on this area in our final Audit Findings Report.</p>

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified in respect of the Annual Governance Statement. Our work in respect of the Narrative Report is ongoing at this time. We plan to issue an unmodified opinion in this respect – refer to appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • 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. <p>In this context we disclose to Those Charged with Governance that we have received a valid objection which is under review, regarding the Council’s Definitive Map. We are currently awaiting management’s response to the points raised in the objection which we will then consider.</p> <p>Two minor issues were identified in respect of the Annual Governance Statement and have been corrected by Management. We have nothing further to report on these matters.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>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. The guidance for this work has not yet been issued.</p> <p>We will conclude on the WGA testing required when instructions are issued nationally.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of Gloucestershire County Council in the audit report, as detailed in Appendix E, due to incomplete VFM work, resolution of the Objection to the Statement of Accounts, and the resolution of the national Infrastructure issue.</p> <p>We bring to the attention of Those Charged with Governance that the certificate for 2020/21 is still outstanding because of the infrastructure assets issue. We are therefore not in a position to issue the 2021/22 certificate until the 2020/21 certificate is issued. Following issue of the Statutory Instrument regarding Infrastructure assets and related CIPFA guidance, we anticipate being able to conclude on the Council's accounting for Infrastructure assets shortly and issue the 2020/21 certificate.</p>

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is included within the Committee papers. We expect to issue our Auditor's Annual Report by [28 February 2023](#). This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our 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. We did not identify any risks of significant weakness to date. [Our work is underway but to date there are no issues arising from it which would impact on our opinion on the Council's accounts for 2021/22.](#)

4. Independence and ethics

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). In this context, we disclose the following to you:

The Senior Manager for the audit has a family member employed by a school within the Gloucestershire area. The school is an Academy and is not included within the balance sheet of Gloucestershire County Council, however the school is included within the Teachers' Pension Scheme for Gloucestershire. We have mitigated the familiarity and confidentiality threat ensuring that the Senior Manager is not involved with any services in respect of the Teachers' Pension Scheme.

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

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

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	£7,500	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 £7,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed. In addition the materiality of the amounts involved is not material to our opinion, and it is unlikely that material errors could arise from this work. Further, a separate team undertake the testing procedures noting the Ethics issue raised on page 25. The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. These factors all mitigate the perceived self-review threat to an acceptable level.
Non-Audit related			
CFO Insights	10,000	Self-Interest (because this is a recurring fee)	We have provided subscription services only, and any decisions are made independently by the Council. The work is undertaken by a team independent to the audit team. The subscription service ended in July 2022.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified **eight** recommendations for the Council (to date) as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 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	<p>Our audit work has identified the following issues in respect of asset lives:</p> <ul style="list-style-type: none"> Asset lives disclosed within the accounts were incorrect and were updated to reflect the appropriate lives for VPE assets. Assets with no remaining life are included within the Fixed Asset Register. The Council should ensure that asset lives are being appropriately applied and assets are removed when the life has expired and the asset is no longer in used. 	<p>Management should review the useful lives of all assets to make sure that these remain appropriate and reflect the operational use of the assets.</p> <p>This recommendation was raised previously in 2020/21.</p> <p>Management response</p> <p>Asset lives are reviewed on an annual basis as previously agreed. Asset lives for vehicles disclosed in the Accounting Policy were incorrect and changes were made to reflect this, from 5 – 20 years to 3 – 20 years.</p>
Medium	<p>Our audit work has identified the following issues in respect of Journal entries:</p> <ul style="list-style-type: none"> Our testing identified a number of manual journals that had no descriptions. While it is not required that journal entries have descriptions, it is considered best practice thereby ensuring that the purpose of the journal can be easily identified and to minimise the risk of fraudulent transactions. Our testing identified a segregation of duties issue whereby the Council does not have any preventive or detective control in place to check journals made by the team members. Further, approval on the transactions is obtained retrospectively and is outside of the SAP system. Our testing further identified an issue with access for journals authorisation whereby segregation of duties within SAP was identified as a significant deficiency within our IT General Controls testing. 	<p>Management should consider ensuring that all manual journals include descriptions in order to further mitigate the risk of fraudulent transactions.</p> <p>This recommendation was raised previously in 2020/21.</p> <p>Further, management should consider implementing segregated controls in order to check journal entries, including timely approval, and approval within the SAP system where appropriate.</p> <p>Management response</p> <p>The council is embarking on a programme to move from the current SAP system to SAP SaaS cloud products which is due to go live in December 2023. New finance modules include access governance tools and full role analysis, design of finance roles will be conducted during the implementation programme to ensure appropriate access (including adequate SoD requirements) to financial data.</p>

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	<p>Testing of the valuer’s assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. We identified a number of issues with the underlying source data including:</p> <ul style="list-style-type: none"> - Error within “Number on Roll” data for one school - Incorrect valuation rate applied to one school - Missing floor area for two buildings which resulted in an error upon re-measurement due to extensions to the properties, and - An error in the valuation calculation for one building. <p>The potential misstatement identified was £7.673m as set out on page 10.</p>	<p>The Council should ensure that all documentation used to provide asset valuations in the statement of accounts is retained, in order to provide appropriate evidence to support assumptions used.</p> <p>This recommendation was raised previously in 2020/21.</p> <p>Further, the Council should consider implementing further checking processes over the “Number on Roll” data, floor area calculations, and the school valuation rates to identify errors.</p> <p>Management response</p> <p>In future the valuer will ensure that documented evidence is retained for all valuer opinion inputs. Detailed checks of valuations (NOR, floor area and BCIS rate used), of all assets with a significant value (over £3m) will be undertaken prior to the valuations being used in the accounts.</p>
High	<p>IT Control Deficiencies - as part of this work we have identified the following weaknesses which impacted on our audit approach.</p> <p>One significant control weakness was noted in SAP:</p> <ul style="list-style-type: none"> • Business users with conflicting access in SAP <p>Two further control weaknesses were noted in SAP:</p> <ul style="list-style-type: none"> • Insufficient oversight of third-party users assigned with privileged access within SAP • Segregation of duties conflicts between change developer and implementer access <p>In 2020/21 we identified seven weaknesses, of which five remain outstanding or partially remediated.</p> <p>As a result of our findings, and in particular the impact on the journal control environment, we revisited our testing strategy and increased the risk from moderate to elevated, to ensure that sufficient work had been undertaken.</p>	<p>We have not identified any misstatements as a result of the significant control deficiency identified.</p> <p>We have provided management with a detailed list of recommendations in relation to the findings identified. Based on corroborative enquiries with management, it was understood the Council is currently looking to upgrade/replace its current SAP system and role design/setup and user management/maintenance will be reviewed and considered during design workshops for the new system.</p> <p>We recommend that the Council look to upgrade/replace its current SAP system where feasible to address the identified deficiencies.</p> <p>Management response</p> <p>The Council is embarking on a programme to move from the current SAP systems to SAP SaaS cloud products which is due to go live in December 2023. New finance modules include access governance tools and full role analysis, design of finance roles will be conducted during the implementation programme to ensure appropriate access (including adequate SoD requirements) to financial data.</p>

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	<p>Net Pension Liability – assumptions used in calculation</p> <p>Our audit work has noted that one assumption used in the calculation for the valuation of the pension fund net liability (salary growth) does not fall in line with the auditor's expert expected assumption for the salary assumption is CPI + 0.5%pa, however the actuary has used CPI + 0.3% in their calculations. We have determined that this has not produced a material misstatement in the financial statements. Management have provided further support in their use of the assumption. See Appendix A for recommendation raised.</p>	<p>We recommend that Management continue to ensure that the assumptions used in the net pension liability are understood and that the Actuary is challenged appropriately.</p> <p>Management response</p> <p>Management have a process of assessing the basis of the actuarial estimates and assumptions and will continue to undertake this challenge, however, the potential variation for this item is not considered material.</p>
Low	<p>Testing of the completeness of expenditure identified one transaction where the entry had not been accrued for at year end when costs related to 21/22; the effect of this was not material to the accounts.</p>	<p>The Council should ensure that all accruals are appropriately treated at year end and that budget holders are aware of year end processes that should be followed for year end accruals.</p> <p>Management response</p> <p>A review of year end procedures and instructions issued will be undertaken to improve the process and reduce the risk of this occurring in future years.</p>
Low	<p>We experienced some issues with the creditors listing provided by the Council as it included amounts that net each other off but had not been net off by the system and were therefore included in our year end creditors listing. This can result in items being selected that are not true year end balances.</p>	<p>The Council should ensure that transactional listings provided to audit do not include items that net each other off and are not a true year end creditor / debtor balance.</p> <p>Management response</p> <p>A review of this process will be undertaken to ensure that transactional listings provided to the audit team are adjusted to remove all cleared items.</p>
Low	<p>We identified that the cashflow included a manual adjustment of £1,031k for which no evidence to support this amount could be provided due to this being put in as a balancing figure.</p>	<p>The Council should ensure that it investigates this difference and in future has evidence to support all transactions.</p> <p>Management response</p> <p>The Council remain confident that the adjustment made in 21-22 remains appropriate. The Council would normally reconcile all movements and will ensure this is undertaken going forward.</p>

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Gloucestershire County Council's 2020/21 financial statements, which resulted in six recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note four are still to be completed, and for one action our audit work remains in progress.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Valuation date</p> <p>Assets are valued at 31 December with a valuation date of 31 March. There was, therefore, the possibility of significant movement in asset values between the date they are valued and the valuation date. The valuer did not provide formal assurance in 2020/21 that this has not occurred.</p>	The Council's valuer provided formal assurance in 2021/22 that this exercise had been completed.
X	<p>Floor areas</p> <p>We were unable to accurately confirm the floor area used for the revaluation of two assets as the Council has not retained the calculations.</p>	This issue was raised in 2021/22 and the issue is reported at Appendix A.
X	<p>IT Segregation of Duties</p> <p>Our IT auditors noted that there were an excessive number of users with administrative privileges.</p>	This issue continues for 2021/22, due to the ongoing SAP system which the Council is seeking to upgrade/replace, and the issue is reported at Appendix A.
X	<p>Manual journals with no description</p> <p>Audit identified a number of manual journals where there was no description.</p>	This issue was raised in 2021/22 and the issue is reported at Appendix A.
X	<p>Useful lives</p> <p>Testing of the useful lives of assets identified a number of assets that were fully depreciated and remained operational.</p>	This issue was raised in 2021/22 and the issue is reported at Appendix A.
TBC	<p>Related party declarations</p> <p>The Council requires that all Councillors complete a written related party declaration to ensure that there are no parties that need to be disclosed. Three of these were not received in 2020/21.</p>	This work remains in progress. We will provide a verbal update to Those Charged with Governance at the January 2023 Committee meeting.

Assessment

- ✓ Action completed
- X Not yet addressed

C. 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 and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
In our valuations work we identified that the value of PFI assets per the valuation reports did not agree to the figure disclosed in the accounts. We identified that the PFI models were not appropriately treating the PFI valuations as they were treating assets as being valued at the beginning of the year (1 April) when in fact valuations occurred at year end 31 March). This issue went back to 2019-20. Work was undertaken by the Council to determine the cumulative effect of this issue.	(18,325)	18,325	(18,325)
The Council received covid grant income that related to 21-22 but had not been recorded in the accounts. An adjustment was made by the council to ensure this income is recorded in the appropriate year.	(1,367)	1,367	(1,367)
Overall impact	(19,692)	19,692	(19,692)

C. 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.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made to date, as at November 2022.

Disclosure omission	Auditor recommendations	Adjusted?
Incorrect asset lives reported within the Accounting Policy.	The Council should ensure that disclosures to the Statement of Accounts are accurately recorded.	✓
Two minor amendments required to Annual Governance Statement to clarify governance arrangements.	The Council should include all relevant disclosures within the Annual Governance Statement comply with disclosure requirements set out in CIPFA/SOLACE guidance.	✓
<p>Disclosure to be added to the accounts around the roll forward approach for Pension to comply with the CIPFA Code of Practice.</p> <p>Our audit materiality is £15.2 million and 6%-9% of the liability of £466,853k amounts to a movement in £28,011k -£42,017k million of the fund net liability. We have gained sufficient assurance over the reasonableness of the roll-forward approach used for producing this year's figures by undertaking the additional procedures referred to on page 22 of the PwC report. We also note that the uncertainties from each year are not necessarily always additive and the so the total uncertainty estimated above is at the top of the range.</p> <p>The difference is more than materiality. While our testing has not identified any further areas that would indicate a material error and the roll-forward approach is the generally accepted methodology, we would recommend that a disclosure be added to the accounts to reflect this potential inaccuracy.</p> <p>This is due to the fact it is three years since the triennial valuation. As a result of this we recommend a disclosure is included in the accounts, as, this has occurred due to it being the third year since the triennial valuation.</p>	The Council should ensure that disclosures to the Statement of Accounts are included in respect of this matter.	✓
A number of disclosure errors were identified on the face of the Expenditure and Funding Analysis. The combined effect of these errors was not material, but was above trivial at £1,075k.	The Council should ensure that disclosures to the Statement of Accounts are accurately recorded.	✓

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made to date, as at November 2022.

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

	Auditor recommendations	Adjusted?
<p>A number of disclosure misclassification errors were identified on the face of the PPE note 3.</p> <ul style="list-style-type: none"> - The split between land and buildings and Plant, furniture and equipment was incorrect. Revaluation increase recognised in the surplus on provision of service was shown as £2,862k for Land and £13,371k for Plant updated to £-502k for Land and £11,011k for Plant. - PFI split was incorrectly shown in draft accounts amount of £20,874k all charged to revaluation reserve line. This should state £8,253k for revaluation in revaluation reserve and £12,621k in revaluation in surplus on provision of services. These amounts were then further adjusted following the PFI adjustments as detailed above in Appendix C. Revaluation in revaluation reserve updated to £26,639k and depreciation reversals to £9,714k - Reclassification of £5,015k from Vehicles, Plant and Equipment to land and buildings. 	The Council should ensure that disclosures to the Statement of Accounts are included in respect of this matter.	✓
<p>Disclosure showing value of assets revalued to be updated as current discourse does not correctly identify those assets revalued. Updated disclosure should state value of assets formally revalued in 21/22 as £794million.</p>	The Council should ensure that disclosures to the Statement of Accounts are included in respect of this matter.	✓
<p>Financial Instruments – We identified that changes had been made to the 20/21 figures in the 21/22 accounts. When producing the 21/22 accounts the Council identified that the value of Cash equivalents held at Fair value and amortised cost did not agree to the total value disclosed in the note, the amounts had been entered incorrectly. The figures have therefore been updated to show the correct position. This resulted in the overall total remaining the same but the make up of this total changing; Cash equivalent held at fair value have changed from £40,408k to £41,025k and those held at amortised cost have changed from £88,826k to £52,730. The total remains as £93,755k. As the effect of this change is material and is considered a prior period adjustment, a prior period adjustment accounting policy will also be added to the accounts.</p>	The Council should ensure that disclosures to the Statement of Accounts are included in respect of this matter and that a prior period adjustment accounting policy is included within the accounts.	✓

C. 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.

Misclassification and disclosure changes

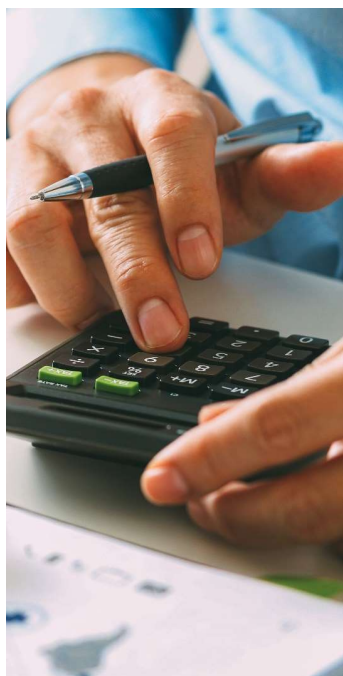
The table below provides details of misclassification and disclosure changes identified during the audit which have been made to date, as at November 2022.

	Auditor recommendations	Adjusted?
The mental health disclosure in the pooled budgets note detailed an amount over £10million, this should read £10.3million	The disclosure has been updated to ensure these figures are reported correctly.	✓
In our work on the pension note we identified that two amounts within the fire amounts had been understated by £300k. Contributions from scheme participant should state £1,400k and benefits paid should state £7,770k per the actuary report.	The disclosure has been updated to ensure these figures are reported correctly.	✓
The capital expenditure and financing note was adjusted to account for £110k relating to additions and Refcus that had not been appropriately recorded in the capital expenditure and financing disclosure.	The disclosure has been updated to ensure these figures are reported correctly.	✓
Narrative disclosure to be added to the provisions note giving details of the Economy, Environment and Infrastructure provision.	A narrative disclosure has been added to the note.	✓
A small number of presentational and typographical changes were identified within the draft financial statements.	These have been corrected by management in order to aid transparency.	✓
As a result of the information deficits nationally around Infrastructure assets an update to has been made to the CIPFA code. This update removes the requirement for the disclosure of gross cost and gross accumulated depreciation for infrastructure assets.	The disclosure has been updated to ensure that it is code compliant.	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.



Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
<p>Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. We identified a number of issues with the underlying source data including:</p> <ul style="list-style-type: none"> - Error relating to "Number on Roll" data entered into valuation for one school - Incorrect valuation rate applied to one school - Missing floor area for two buildings which resulted in an error upon re-measurement due to extensions to the properties, and - An error in the valuation calculation for one building. <p>The potential misstatement identified was £7.673m.</p>	(7,673)	(7,673)	(7,673)	Not material.
Overall impact	£(7,673)	£(7,673)	£(7,673)	

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements



Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Review of capital grants during the 2020/21 audit identified one grant relating to 2021/22 that had been recorded in 2020/21 and should have been classified as a grant receipt in advance.	(2,979)	(2,979)	(2,979)	Not material
Overall impact	£(2,979)	£(2,979)	£(2,979)	

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£139,381	**TBC
Total audit fees (excluding VAT)	£139,381	TBC

** Final fee to be confirmed at point of completion of the audit subject to final infrastructure assets testing, completion of outstanding items, and outstanding objection, and is subject to approval by PSAA.

Details of variations in final fees from proposed fee as disclosed to Those Charged With Governance as part of the Progress Update taken to the July 2022 Audit & Governance Committee: In 2017, PSAA awarded a contract of audit for Gloucestershire County Council to begin with effect from 2018/19. The fee agreed in the contract was £75,468 which was uplifted to £81,468 for 2021/22. Since that time, there have been a number of developments, particularly in relation to the revised NAO Code and relevant Auditing Standards which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed in our Audit Plan in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Certification of Teachers Pension Return	7,500	TBC
CFO Insights	10,000	10,000
Total non-audit fees (excluding VAT)	£17,500	TBC

The fees do not reconcile to the financial statements and we have provided a reconciliation below.

Audit fees

Fees per financial statements - £118k

Comprising:

- Scale fee - £81k
- Additional fees yet to be approved by PSAA - £37k

Reconciling items:

- Additional fees yet to be approved by PSAA - £21k

Total fees per above - £139k

Non-audit fees

Fees per financial statements - £15k

Comprising:

- Fees payable for the certification of grants and returns for the year - £5k
- CFO insights licence - £10k

Reconciling items:

AJWO Additional fee for Certification of TPEN return due to inflationary pressures - £2.5k

Total fees per above - £17.5k

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This work is done so I am checking whether it has been billed and if so, how much.

Alex J Walling, 2023-01-10T11:20:50.783

E. Audit opinion

Our proposed audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report.

Independent auditor's report to the members of Gloucestershire County Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Gloucestershire County Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the Fire Pension Accounts comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Deputy Chief Executive and Executive Director of Corporate Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Deputy Chief Executive and Executive Director of Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Deputy Chief Executive and Executive Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Deputy Chief Executive and Executive Director of Corporate Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Deputy Chief Executive and Executive Director of Corporate Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Deputy Chief Executive and Executive Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Deputy Chief Executive and Executive Director of Corporate Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive and Executive Director of Corporate Resources. The Deputy Chief Executive and Executive Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive and Executive Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Chief Executive and Executive Director of Corporate Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003. We also identified the following additional regulatory frameworks in respect of the Fire pension fund, Public Services Pensions Act 2013, The Firefighters' Pension Scheme (England) Regulations 2014, and The Firefighter's Pension Scheme (England) Order 2006.
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit, and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - Journals and transactions outside of the normal course of business.
 - management estimates in particular those relating to land and buildings, and the net pension fund liability valuations.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Deputy Chief Executive and Executive Director of Corporate Resources has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals made during the year and during the accounts production stage
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, and defined benefit pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework .

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Gloucestershire County Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report;

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022;
- our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014.

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2021. As the Authority has not prepared the Pension Fund Annual Report at the time of this report, we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature

Alex Walling, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:

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This should fall out when we have done the PF Annual Report work.

Alex J Walling, 2023-01-10T11:21:58.504

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Thanks. Kept in for now.

Roz E Apperley, 2023-01-10T15:35:19.151



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