South Downs
National Park Authority

Agenda Item 11

Report PR24/25-33

Report to	**Policy & Resources Committee**
Date	**26 June 2025**
By	**Grant Thornton – External Audit**
Title of Report	**External Audit Plan**
Decision	

Recommendation: The Committee is recommended to agree the External Audit Plan

1. Audit Plan 2024/25

1.1 The 2024/25 External Audit Plan sets out how we intend to carry out our responsibilities as your external auditor. It covers the work we plan to perform in order to provide the Authority with:

- Our audit opinion on whether the Authority's financial statements give a true and fair view of the financial position as at 31 March 2025 and the income and expenditure account for the year then ended; and
- A statutory conclusion around whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

1.2 The report summarises our assessment of the key risks which drive the development of an effective audit for the Authority and outlines our planned audit strategy in response to those risks.

1.3 The report also highlights any developments in the Code of Audit Practice and International Standards on Auditing (ISA) for this year,

1.4 We have also reported the logistics planned for the delivery of the audit, along with the impacts of sector developments on the audit fee for 2024/25.

OSCAR EDWARDS

Senior Audit Manager

Grant Thornton

Contact Officer: Oscar Edwards - Manager

Tel: 0117 305 7705

Email:	Oscar.r.edwards@uk.gt.com
Appendices:	1. Audit Plan 2024/25
SDNPA Consultees	Chief Financial Officer
External Consultees	None
Background Documents	None

Grant Thornton

The Audit Plan for South Downs National Park Authority

Year ending 31 March 2025

June 2025

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English Devolution White Paper

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

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

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

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

The next steps are:

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

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to two-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We are expecting an interim plan by 21 March 2025 and a full proposal by 28 November 2025.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system	Our Response
On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement. The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for: • Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers; • Contract management, procurement, commissioning and appointment of auditors to all eligible bodies; • Setting the Code of Audit Practice; • Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies; • Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors. The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including: • setting out the vision and key principles for the local audit system; • committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users; • enhancing capacity and capability in the sector; • strengthening relationships at all levels between local bodies and auditors to aid early warning system; and • increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.	Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position	Our Response
Authority's face many challenges, the pandemic along with the cost of living crisis has left Authority's with economic, social, and health challenges to address: **Staffing**: A key challenge facing Authority's in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Authority's struggle to attract and retain qualified staff, especially younger talent. Many Authority's have outdated recruitment processes and are heavily reliant on agency staff. **Climate change**: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events. **Funding :** Authority's face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for Authority's to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year. **Digital Transformation :** The fast pace of technological advancement poses both opportunities and challenges for Authority's. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Authority's needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers. **Cybersecurity:** Authority's need to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.	Building and maintaining public trust is arguably the cornerstone of effective governance. Authority's must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities. Despite best efforts, financial pressures are affecting the scale, range and quality of services provided to local residents. Ultimately spending is increasingly concentrated on fewer people, so Authority's are less able to support local and national agendas. Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services. Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly. We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context	Our Response
South Downs National Park Authority received an unmodified audit opinion in 2023-24. The audit was closed in advance of the statutory backstop date of the 28 February 2025. As a result, we have full assurance over the opening balances in the financial statements and the audit will not be impacted by backstop related issues. We identified four above trivial misstatements in the prior years audit, which management adjusted for in the accounts. Two of these adjustments also caused prior period adjustments. We also identified four above trivial errors which were not adjusted for based on immateriality. Our VFM commentary in the prior year did not identify any significant weaknesses in the Authority's arrangements. We identified four improvement recommendations. We will follow up on these recommendations as part of our VFM work.	Our planning work is not fully complete at the time of writing. Capacity constraints in the finance team, caused by some sickness has impacted our ability to perform early work on groups. Work on the new accounting standard for IFRS16 has been delayed due to the prior year audit overruns. To date we have not identified any material issues to bring to the committee's attention. Our significant risks are in line with the prior year audit. Given the higher number of adjustments identified in the prior year, we have reduced our performance materiality to 70% of headline materiality (PY 75%) to reflect an increased risk of errors. Our VFM planning work has not identified any risks of significant weakness. We will follow up on the prior years improvement recommendations made and assess any progress made. Our final accounts audit is expected to commence in September 2025.
The most recent financial performance update (at month 9) reported that the forecast revenue outturn at month 9 is a net below budget variance of £159k. This is largely a result of a favourable variance on the DEFRA grant which is £137k greater than anticipated in the original budget.	We will test the major grants received by the Authority as part of our audit. Particular focus will be on the larger grants such as DEFRA to ensure they have been accurately reported and recognised.
The latest medium term financial plan states that income for 2025-26 is forecasted at £13,240k compared with forecasted expenditure of £13,750k, the gap being funded by reserves. A primary risk area is the assumption of the 3% pay award which is maintained based on reducing inflation. There is potential for this to be higher. The Authority must also deal with the impact of the autumn budget statement which has served to increase the Authority's national insurance contributions. The additional costs resulting from this will need to be considered in the budget. The MTFP indicates that from 2026-27 the Authority will be in a deficit position. The Authority will need to address this over the coming years.	We will review the Authority's arrangements for ensuring appropriate future savings are achieved as part of our value for money work. Payroll related expenditure is the single most significant expenditure stream of the Authority. This will be tested in detail as part of our audit procedures.
The Authority continues to be impacted by global and national events such as the high levels of inflation experienced over the past several years. The Authority also continue to contend with reductions in the value of the DEFRA grant which is the primary source of funding for the national park. DEFRA continue to reduce the value their grant but have announced they will be increasing the capital element of the grant. The Authority will need to consider going forwards what costs can be capitalised in line with the grant requirements.	We are aware of the challenges faced by Authorities in relation to inflation and the autumn budget. We will review the Authority's arrangements for dealing with these cost pressures as part of our value for money work. As stated above, grant income and payroll expenditure are the two most significant streams of income and expenditure and will be tested in detail as part of our audit.
The Authority have made their trading company (South Downs Commercial Operations Ltd) dormant from the end of September 2024. The company previously ran the operations of the Seven Sisters park. These services will be brought back in house. The Authority must consider how they plan to account for this in the 2024-25 statement of accounts.	We will consider the trading company and its services being brought back into the Authority's control as part of our VFM work. We have requested a detailed accounting paper from management but at the time of writing this is not yet available. Management have provided their group considerations, and we expect this to not be material. We will undertake work to confirm this at our final accounts visit.

Key developments impacting our audit approach

Local Context	Our Response
New accounting standards and reporting developments • Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on page 10. • The FRC issued revisions to ISA (UK) 600 'Audits of group financial statements (including the work of component auditors)'. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements strengthen the auditor's responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.	• Detailed review of the authority's implementation of IFRS 16. More information can be found on page 10. At the time of writing the plan the Authority has performed a preliminary assessment of IFRS16 and its impact on the financial statements. The indications per their review is that the overall impact will not be material. We will keep this under review as the audit progresses. • Enhanced procedures in respect of audits of group financial statements. Work on this area is subject to understanding the Authority's final group position given that the trading company South Downs Commercial Operations Ltd was made dormant in September 2024.

Key developments impacting our audit approach (continued)

Our commitments

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

IFRS 16 Leases

Summary

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

Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

There are however the following exceptions:

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

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

Systems and processes

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

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

Planning enquiries

As part of our planning risk assessment procedures, we have made inquiries as to managements approach to implementing IFRS16, the processes involved and the likely impact on the accounts. Management have informed us that the accounts impacts are expected to be immaterial. Management are currently finalising the relevant accounting entries, disclosure notes and changes in accounting policy, we will follow up on these during our final visit.

The Backstop

Local Government National Context – The Backstop

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

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

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

Our Work

In the prior year South Downs National Park Authority were not impacted by the backstop as the 2023-24 audit was finalised in advance of the backstop date. Therefore, this issue does not impact South Downs.

However, the Authority must be aware of the backstop dates for future years. For example, 2026-27 accounts will have a backstop date of 30 November 2027. The audit time available will therefore become constrained over the coming years with less margin for overruns.

We have held discussions with management regarding completing interim audit testing during our 2024-25 planning visit. It was agreed that this would not be undertaken in 2024-25. The primary reasons stem from the later than expected conclusion of the audit and the fact that several adjustments were made to the accounts, which management were working through for 2024-25.

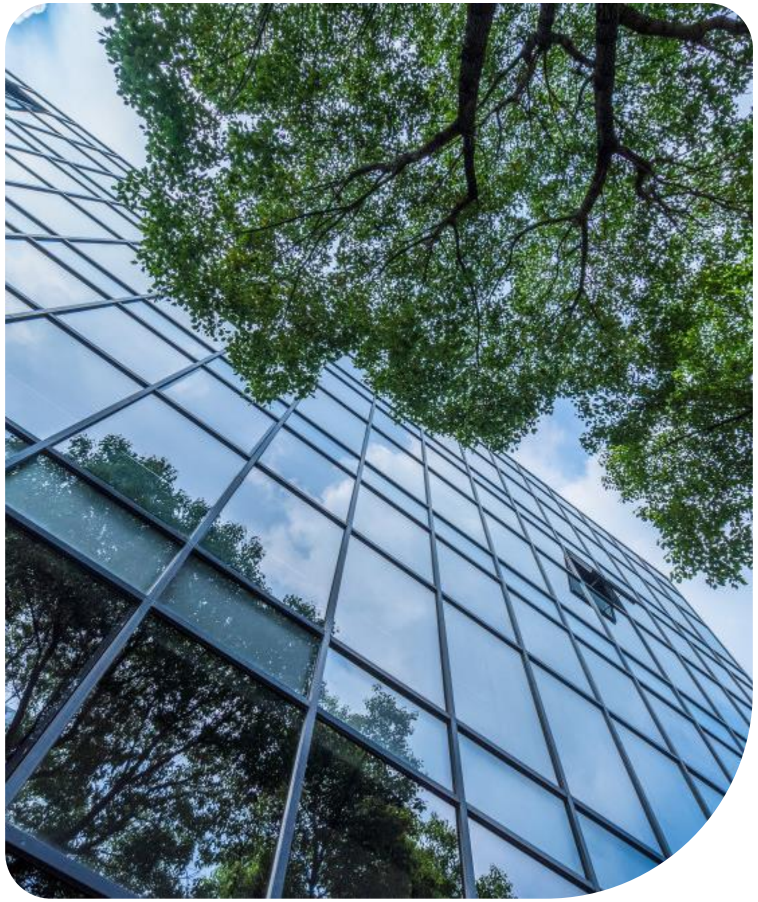
In future periods, we will be aiming to complete more audit work at an advanced stage earlier in the year going forwards. It will be imperative that management work with us in future periods to ensure that we can perform advanced audit testing by:

- Either undertaking a month 9 close so that we can obtain accurate populations to test, or ensuring that transactions are not back-posted. Management have indicated they will review how this can be achieved with the systems team.
- Ensure appropriate resource is available to deal with audit requests earlier in the year.
- Work with us to ensure early testing is completed in an efficient manner.

We would encourage management to consider what they can do over the coming year to make advanced testing possible at the Authority. Our aim is to complete as much early testing by the end April each year as possible with a view to starting our testing earlier in the year i.e. January and February.

02 Introduction and Headlines

Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of South Downs National Park Authority ('the Authority') for those charged with governance.

Respective responsibilities

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

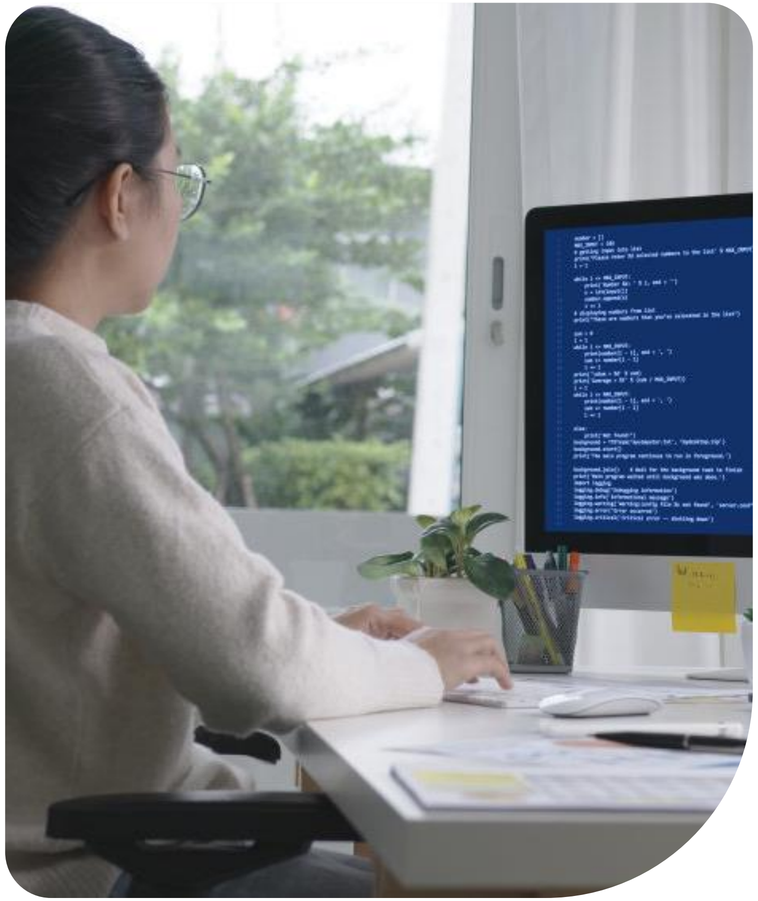
Scope of our Audit

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

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

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

Introduction and headlines (continued)



Significant risks

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

- Management override of control
- Land and Buildings Revaluations
- Valuations of the Pension Liability

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

Materiality

We have determined planning materiality to be £450k (PY £368k) for the Authority, which equates to 2.5% of your prior year gross operating costs for the year. Group materiality is set at £462k (PY £378k) on the same basis as above. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. Although not material, we have reduced performance materiality from 75% of headline materiality used in the prior year to 70% for 24-25 to reflect the increased risk.

Clearly trivial has been set at £22k (PY £18k).

Value for Money arrangements

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

Audit logistics

Our interim visit took place in February and March 2025 and our final visit will take place from September 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £59,689 (PY: £63,576) for the Authority, subject to the Authority delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

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

03 Identified risks

Significant risks identified

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

Significant risk	Audit team's assessment	Planned audit procedures
Management override of controls: Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	• Review of accounting estimates, judgements and decisions made by management • Testing of journals entries • Review of unusual significant transactions
Valuation of land and buildings: The valuation of land and buildings, as reflected in the Authority's balance sheet as Property, Plant and Equipment (PPE), represents a significant estimate in the financial statements.	The Authority engages valuers to revalue its other land and buildings (£9.4m) using a rolling programme, ensuring all assets are revalued at least once every five years. Management are currently revaluing all assets every year to ensure material accuracy of the stated values. Assets are valued as at 31 March 2025. These valuations represent a significant estimate by management due to the size of the numbers involved and the sensitivity of the estimates to changes in key assumptions. The specific risks will be pinpointed as part of our final accounts work and once the valuers report has been received.	• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. • Assess the competence, capability and objectivity of the valuation expert. • Write to the valuers to confirm the basis on which the valuations were carried out. • Challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding. • Test revaluations made during the year to ensure they have been input correctly into the Authority's asset register. • Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

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

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

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

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

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net asset: The pension fund net asset, as reflected in the Authority's balance sheet as the net defined benefit asset, represents a significant estimate in the financial statements.	The Authority employs an actuary to complete a valuation of the pension fund net asset. The value as at 31 March 2024 was £0m (Due to the impact of the asset ceiling). The pension fund net asset is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.	• Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net asset is not materially misstated and evaluate the design of associated controls. • Evaluate the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capability and objectivity of the actuary who carried out the Authority's pension fund valuation. • Assess the accuracy and completeness of the information provided to the actuary to estimate the liability. • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.
The revenue cycle includes fraudulent transactions: Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	We have identified and completed a risk assessment of all revenue streams for the Authority. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk and the underlying nature of the transactions, or immaterial nature of the revenue streams both individually and collectively. We have considered the risks and concluded that there is little incentive, pressures or opportunity for management to perpetrate a fraud in this area.	• For the Authority's income streams we will keep this fraud rebuttal under review during the course of our audit. However, at this stage this is not considered to be a significant risk for the audit.
The expenditure cycle includes fraudulent transactions: Practice Note 10 (PN10) states that as most public bodies are net spend bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have completed a risk assessment of all expenditure streams for the Authority. We have considered whether there is a risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk and the underlying nature of the transactions, or immaterial nature of the expenditure streams both individually and collectively. We have considered the risks and concluded that there is little incentive, pressures or opportunity for management to perpetrate a fraud in this area.	• For the Authority's expenditure streams we will keep this fraud rebuttal under review during the course of our audit. However, at this stage this is not considered to be a significant risk for the audit.

Other risks identified

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

Risk	Description	Planned audit procedures
Introduction of IFRS 16 (accounting for leases): As noted on page 9, IFRS 16 is mandatory for all Local Government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17.	The impact on an organisation's financial statements is dependent on how, historically, it has financed its capital assets. Organisations that typically build / buy assets will have a lesser impact than those that would normally lease buildings and equipment. Ther Authority's initial expectation is that the impact of IFRS 16 will not be material. In addition, we are not expecting IFRS16 to be a complex matter for the finance team to implement. Therefore, we have not assessed this as a significant risk for 2024/25. We will keep this assessment under review during the course of our work.	• Evaluate the design effectiveness of management controls over accounting for leases, with a focus on the arrangements for ensuring that all leases have been captured. • Review a sample of Authority's IFRS 16 calculations to ensure that the leases have been correctly accounted for in 2024/25 and that these are in accordance with the supporting evidence. • Ensure all required disclosures have been included within the financial statements relating to IFRS 16.

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

Other matters

Other work

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

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

Other material balances and transactions

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

04 Group Audit

Group audit scope and risk assessment

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

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Risks identified	Auditor
South Downs National Park Authority	Yes	Audit of the entire financial information of the component.	Group auditor	• See section 3 above for details. • Consolidation of the group entities.	Grant Thornton UK
South Downs Commercial Operations Ltd **(Expected to be immaterial)**	(TBC)	Based on the prior year SDCOL accounts we have identified the group income and expenditure as being the only material balances. We will therefore undertake specific audit procedures on these balances only provided they are still material for 2024-25. **Note – management have shared their group determination, and we expect this to be immaterial. We will confirm this at our final accounts visit.**	TBC	TBC	Grant Thornton UK

Key changes within the group

- We are aware that the Authority's subsidiary SDCOL has been made dormant from September 2024. Following this, the services have been brought back in house. We expect the part year figures to be immaterial however this will be confirmed at our final accounts visit.
- Due to SDCOLs services being brought back into the Authority's remit, the 31 March balance sheet for the Authority will include all of SDCOLs assets and liabilities, meaning these will be included in our SDNPA audit procedures.
- Management should look to ascertain the exact income and expenditure figures for the six months of SDCOL trading and finalise their approach to consolidating the company's financials. Our audit team will aim to review managements approach as soon as the information is available to ensure code compliance.

Involvement in the work of component auditors

GT are the group auditor, and our engagement team will complete both the audit of the South Downs National Park component accounts and testing of the material group figures.

Our prior year audit in 2023-24 identified that the subsidiary 'South Downs Commercial Operations Limited' has not received an audit either in the prior year or for the 23-24 financial year. This also remains the same for 2024-25. Management initially thought that SDCOL were below the audit threshold and therefore did not require an audit.

However, we have flagged that in line with the companies Act provision in section 479, this highlights that a small company audit exemption cannot be taken by a company when the company is part of a group who are above the small company threshold.

In the prior year this was raised in our audit findings report, and GT agreed to perform the work on the material SDCOL balances. This work is reflected in the table above.

Fraud and litigation

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

05 Our approach to materiality

Our approach to materiality

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

Matter	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	• We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements	• An item may be considered to be material by nature when it relates to instances where greater precision is required
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process	• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	**Matters we will report to the Policy and Resources Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Policy and Resources Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £22k (PY £18k). • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Policy and Resources Committee to assist it in fulfilling its governance responsibilities.

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

Our approach to materiality

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

	Amount (£)	Qualitative factors considered
Materiality for the Authority financial statements	£450k (SDNPA) £462K (Group)	• Key users of the financial statements and which performance measures key stakeholders for the entity are interested in • Business environment • Control environment (e.g. known issues, frauds that could make misstatement more likely) • Other sensitivities (e.g. Changes in regulations).
Materiality for specific transactions, balances or disclosures – Senior officer remuneration	£10k	• Key users of the financial statements and which performance measures key stakeholders for the entity are interested in. • The £10k threshold applies to the disclosures for an individual officer rather than the value of the senior remuneration note as a whole.

06 IT audit strategy

IT audit strategy

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

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

IT application	Audit area	Planned level IT audit assessment
Civica Financials	Financial reporting	ITGC assessment (Design effectiveness only)
iTrent	Payroll	ITGC assessment (Design effectiveness only)

Note:

We understand that both the above systems are delivered by Brighton and Hove City Council who are the service organisation which provides financial services to the Authority. As both systems are hosted by Brighton, we will collaborate with our colleagues in the Brighton and Hove audit team to ensure we document consistent findings for both the Authority and the City Council. This is the most efficient way to complete the work given that both entity's use the exact same systems.

07 Value for Money Arrangements

Value for Money Arrangements

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

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

Financial sustainability

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

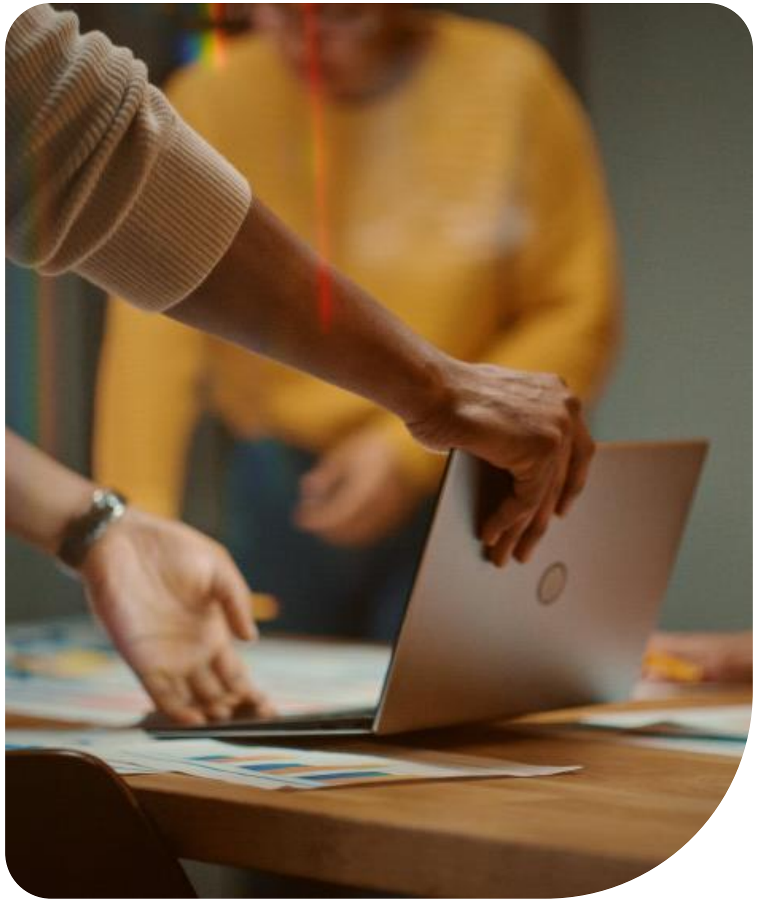
Governance

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

Improving economy, efficiency and effectiveness

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

Risks of significant VFM weaknesses



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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

Risks of significant weakness in VFM arrangements (continued)

Risk assessment of the Authority's VFM arrangements

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

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	A	No significant weakness in arrangements identified, but two improvement recommendations were made to regarding the management of reserves and tracking external grants and income streams.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24.
Governance	A	No significant weakness in arrangements identified, but an improvement recommendation was made regarding the alignment of risks to corporate plan actions.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendation made in 2023/24.
Improving economy, efficiency and effectiveness	A	No significant weakness in arrangements identified, but an improvement recommendation was made regarding the integration of quarterly finance, risk and performance reports.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendation made in 2023/24.

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

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

08 Logistics

Logistics

The audit timeline

Key Dates

Year end:
31 March 2025

P&R Committee:
26 June 2025 – Audit Plan

P&R Committee:
TBC

Sign off:
Expected December 2025

Audit phases:

Planning – February/ March 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and the Policy and Resources Committee

Interim – March/ April 2025

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Any planned additional testing.
- Issue the Audit Plan to management and the Policy and Resources Committee

Final – Commencing September 2025

Key elements

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

Completion – December 2025

Key elements

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

Our team and communications

Grant Thornton core team

Beth Bowers

Engagement Lead/
Key Audit Partner

- Key contact for senior management and the Policy and Resources Committee
- Overall quality assurance

Oscar Edwards

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Eyad Freites

In-charge Accountant

- Audit team management
- Day-to-day point of contact
- Audit fieldwork

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

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

09 Fees and related matters

Our fee estimate

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

Relevant professional standards

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

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for South Downs National Park Authority to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £59,689.

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

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

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

Updated Auditing Standards

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

Area	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
South Downs National Park Authority (Scale Fee)	£43,016	£59,689
ISA 315	£2,510	In scale fee
ISA 600 and IFRS16 (New Standards)	NA	TBC
Additional fees re IFRIC14 Pension work	£1,000	TBC
Additional fees re Group Transaction Testing	£6,200	TBC
Prior Period Adjustment (Grants Received in Advance)	£4,850	NA
Prior Period Adjustment (Capital Projects)	£6,000	NA
Total (Exc. VAT)	**£63,576**	**£59,689**

Our fee estimate:

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

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the PPE valuations and the actuarial valuation of the IAS19 liability
- The fee is subject to review should significant new financial reporting matters and standards arise that require additional time and/or specialist input (e.g. IFRS16)

Previous year

In 2023/24 the scale fee set by PSAA was £43,016. The actual fee proposed for the audit was £63,576 (it is subject to approval by PSAA).

10 Independence considerations

Independence considerations

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	There are no non audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of South Downs National Park Authority, senior management or staff.

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

11 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Authority's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

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

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

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

Respective responsibilities

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

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

12 Delivering audit quality

Delivering audit quality

Our quality strategy

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

Creating the right environment

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

Building our talent, technology and infrastructure

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

Working with premium clients

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

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

How our strategy differentiates our service

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

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

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

The right people at the right time

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

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

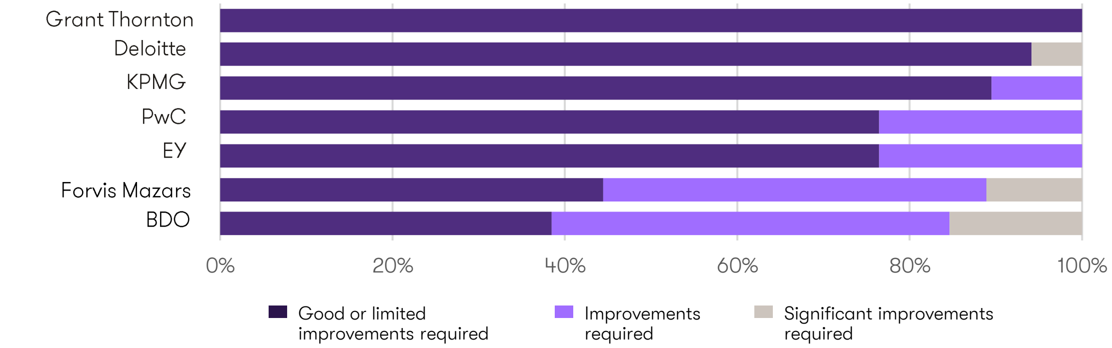
Digital differentiation

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

Oversight and control

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

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



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

Wendy Russell
Partner, UK Head of Audit

13 Appendices

IFRS reporters New or revised accounting standards that are in effect

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

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

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

Amendments to IAS 21 – Lack of exchangeability

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

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

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

IFRS 19 Subsidiaries without Public Accountability: Disclosures

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

IFRS 18 Presentation and Disclosure in the Financial Statements

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

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

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

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

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

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

What you'll see

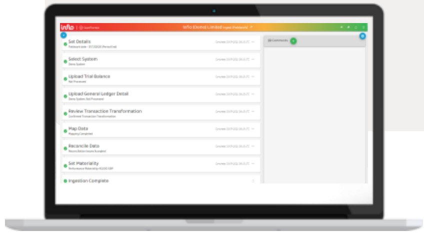
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

02 Ingest

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

What you'll see

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



03 Detect

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

What you'll see

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