

Audit Findings (ISA 260) Report for East Sussex County Council

Year ended 31 March 2025

13 February 2026



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East Sussex County Council
County Hall St. Annes Crescent,
Lewes,
East Sussex,
BN7 1UE

13 February 2026

Dear Members of the Audit Committee,

Audit Findings for East Sussex County Council for the 31 March 2025

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

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

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

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Grant Thornton UK LLP

8 Finsbury Circus.
London.
EC2M 7EA

T +44 (0)20 7391 9500

www.grantthornton.co.uk



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

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

Joanne Brown

Partner
For Grant Thornton UK LLP

Chartered Accountants

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01 Headlines and status of the audit

Headlines

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

Financial statements

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

- the Authority's financial statements give a true and fair view of the financial position of the Authority 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during July-December as planned. Our findings are summarised on pages 14 to 37. We have identified disclosure adjustments to the financial statements, which are set out on pages 45 to 51. We also identified an error of £1.7m in the financial statements which if adjusted would not impact Authority's Comprehensive Income and Expenditure Statement as it solely impacted the Balance Sheet and netted off between assets and liabilities. These have no impact on the level of the Authority's usable reserves.

We have also raised recommendations for management as a result of our audit work. These are set out at page 52-54. Our follow up of recommendations from the prior year's audit are detailed at page 55-56.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters:

- Receipt of the final Investments Confirmation;
- Confirmation from the Capital Manager to confirm that there are no material capital commitments we should be aware of;
- Completion of Senior Management quality review of the completed audit sections which could potentially raise further queries for the Council to respond too;
- Receipt of the signed 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, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

(continued)

Headlines

Financial statements

(continued)

Our anticipated financial statements audit opinion based upon the completed work to date and subject to satisfactory completion of the above outstanding points will be unqualified. We anticipate signing your accounts in February 2026 following the meeting of the Audit Committee on 13 February 2026.

Value for money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary was set out in the Auditor's Annual Report, which was presented to the Audit Committee meeting on the 21 November 2025. While we did not identify any significant weaknesses in arrangements within the criteria for Governance and Improving economy, efficiency and effectiveness, we identified one significant weakness in the Authority's arrangements for Financial Sustainability, and we retained a Key Recommendation in this area. Our findings are set out in more detail in the value for money arrangements section of this report (pages 57-59).

Headlines

Statutory duties

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

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

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

Significant matters

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

National context – audit backlog

Government proposals around the backstop

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

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

The statutory instrument is supported by the National Audit Office’s (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and 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.

Note that for the audit of East Sussex County Council an unmodified opinion has been issued for all prior years where all work has been successfully completed. This is due to close collaborative work by both the audit team and the Council finance team in project planning the audit process in line with statutory deadlines. Both teams have measures in place to continue this close collaborative working to achieve the more challenging publishing dates in the future.

Headlines

Implementation of IFRS 16

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

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

Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

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

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

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

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

Impact on the Authority

The impact on the Authority financial statements is as follows:

- The impact of IFRS 16 was not material, leading to the recognition of £7.3m of right of use assets on the transition date of 1 April 2024.
- The Council has applied judgements and estimation assumptions in line with the guidance put in place by CIPFA to recognise right of use assets and lease liabilities for leased assets as appropriate.
- Professional judgments have been applied by the Council relating to lease term assumptions, and the valuation of peppercorn leases.

(continued)

Headlines

Implementation of IFRS 16

(continued)

- The Council has established new accounting policies for the implementation and application of the requirements of IFRS 16, and accounting disclosures so that the initial and ongoing impact of the new standard in the accounts is presented clearly and in accordance with the Code.
- Controls have been updated to support lease identification and classification. A completeness exercise was undertaken across the departments using direct inquiries/questionnaires to departments to confirm the details of leases at the 31 March 2024 for transition.
- Operating leases were reclassified as finance leases, except IFRS 16 exemptions has been applied where leases have been deemed low-value or short-term.

See page 24 for details of the audit work which we have carried out to gain assurance over the appropriateness of the Council's implementation of the new standard. Overall, we were satisfied that has demonstrated a reasonable and systematic approach to identifying and assessing leases, has made reasonable judgements/estimates and has made Code-compliant disclosures in the financial statements.

02 Materiality

Our approach to materiality

As communicated in our Audit Plan dated 28 March 2025, we determined materiality at the planning stage as £23.6m based on 2% of prior year gross expenditure. Upon receipt of draft financial statements at year-end, gross expenditure for the Council was £1,299m which was used to set the final materiality. This gave us an updated materiality level of £25.9m. A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £25.9m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as view of the council's control environment, and experience in prior year audits.
- We have used 2% of gross expenditure as the basis for determining materiality.
- This percentage was utilised to establish headline materiality in accordance with our firm's guidance for audits classified as 'major audits' and categorised as Category 2 risk. For such audits, materiality based on gross expenditure can be set at a maximum of 2% of the total, a % level which we considered appropriate to the risk level of the audit considering our overall knowledge and experience of auditing the entity over several years.

Performance materiality

- We have determined performance materiality at £19.425m, this is based on 75% of headline materiality.
- This percentage remains unchanged from planning as we noted no significant changes to the control environment or other changes at the client that would require us to lower this level determination.

Specific materiality

- We have determined a lower performance materiality for Officers' Remuneration Disclosures at £0.1m.

Reporting threshold

- We will report to you all misstatements identified in excess of £1.295m (our triviality threshold, determined at 5% of the headline materiality), in addition to any matters considered to be qualitatively material.

Our approach to materiality

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

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	25,900,000	We have determined financial statement materiality based on a proportion (2%) of the gross expenditure of the council for the financial year.
Performance materiality	19,425,000	The maximum amount of misstatement the audit team could accept in an individual account or group of related accounts. This is less than materiality due to “aggregation risk” and represents 75% of the materiality figure determined above.
Specific materiality for {Offers’ Remuneration}	100,000	Our assessment of what users would consider to be material with respect to Officers Remuneration. This is to scope in the public sensitivity and interest into senior officers pay in particular for public sector entities.
Reporting threshold	1,295,000	We are obligated to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance.

03 Overview of significant risks identified

Overview of audit risks

The below table summarises the significant risks discussed in more detail on the subsequent pages.

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

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

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Presumed risk of fraud in revenue recognition	Significant risk rebutted	↔	✗	Low	●
Presumed risk of fraud in expenditure recognition	Significant risk rebutted	↔	✗	Low	●
Valuation of land and buildings	Significant	↔	✗	High	●
Valuation of net pension liability	Significant	↔	✗	Medium	●

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

- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement. These can either be due to fraud or error.	There were no changes to our risk assessment reported in the Audit Plan. We carried out the following audit procedures: • evaluated the design and implementation 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 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.	Our audit work did not identify any significant issues relating to management override of controls. As part of our review of journal entry controls, we noted that a large number of users have the ability to post journals. While we understand that the size of the Council team requires that a large number of people have access, and the overall role assignment controls appear appropriate given the size of the Council, we identified that there is no formal process for periodic access reviews to remove or amend rights. In our testing we did not note any issues with officers posting inappropriately or with access/posting to the system not appropriate to permissions, and as such do not consider this to be a significant issue or to impact on our overall assessment of risk of management override. In discussion with management in this year and previous years, we have noted that there is an informal process in place. We have therefore made a best practice control recommendation on page 54 to implement a more formal, documented process for periodic access review.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in revenue recognition Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition. We have identified and completed a risk assessment of all revenue streams for the Council. 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 in the nature of the underlying nature of the transaction, or immaterial nature of the revenue streams both individually and collectively.	There were no changes to our risk assessment reported in the Audit Plan. We carried out the following audit procedures: • Evaluated your accounting policy for recognition of income for appropriateness and compliance with the Local Government Code of Accounting Practice; • Updated our understanding of your system for accounting for income and evaluated the design of the associated controls; • Reviewed and sample tested income to supporting evidence corroborating the appropriateness of the recognition of the income, and the accuracy of the amount recognised; and • Evaluated and challenged significant estimates and the judgments made by management in the recognition of income.	Our audit work has not identified any issues in respect of revenue recognition.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in expenditure recognition Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. Assessment detailed in the Audit Plan is still appropriate in which we identified and completed a risk assessment of all expenditure streams for the Council. We considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.	There were no changes to our risk assessment reported in the Audit Plan. We carried out the following audit procedures: • Evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the Local Government Code of Accounting Practice; • Updated our understanding of your system for accounting for expenditure and evaluated the design of the associated controls; • Reviewed and sample tested expenditure to supporting evidence corroborating the occurrence of the service/good obtained and the accuracy of the amount recognised; and • Evaluated and challenged significant estimates and the judgments made by management in the recognition of expenditure.	Our audit work has not identified any issues in respect of expenditure recognition.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings The authority revalue its land and buildings on a rolling three-yearly to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date. The 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. We therefore identified valuation of land and buildings as significant risk requiring special audit consideration. We have further focussed our risk assessment to the valuation of land and buildings with large and/or unusual changes to their valuation approach. In order to identify such assets in the Council's valuation programme, we will make direct inquiries with the valuer to understand the source data that underpins their valuations, corroborated the source and reasonableness of the external data they rely upon for their key assumptions, and evaluated the completeness and accuracy of source data provided directly from the Council. We will then complete analytical procedures on their valuation report, with reference to external market data, to identify those assets at greater risk of material misstatement. For assets which are not revalued by the external valuer in year, work is carried out with the aim of ensuring the carrying value is not materially different from the fair value at the balance sheet date.	We carried out the following audit procedures: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Assessed how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value; • Tested revaluations made during the year to see if they are input correctly into the Authority's asset register; (continued below)	Within our audit work we noted instances where the council struggled to evidence the GIAs and Land areas used by the valuer. For Land Areas, four of the assets tested exhibited variances from what the valuer used in their calculations. Similar occurrences happened with GIA in which variances were noted between what the valuer had been provided by the council and what the audit team received. In some cases the Council was unable to find or struggled to obtain backing for their GIAs and Land areas. Where this information was found for GIAs, it was in the form of outdated condition surveys which did not agree with what the valuer was provided (either by the council or by their predecessors). Our testing covered a significant portion of the land and buildings population, and as such we were able to make projection assessments which allowed us to conclude that these discrepancies indicated a variance across the population which could not be material and we were therefore satisfied the land area/GIA information was adequate overall.

Significant risks

Risk identified	Audit procedures performed	Key observations
	(continued) • Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • Engaged an auditor’s expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used.	(continued) The Council in the previous year stated there is an ongoing project to remeasure GIAs. We have made a control recommendation in 2022/23 and 2023/24 to improve record keeping and evidence around GIA/land areas to support valuations, and we have retained that recommendation for 2024/25, acknowledging that our testing indicates this is not a significant control deficiency that would cause significant/material error in the valuations. We have retained this recommendation for this year. See page 55 for further commentary and for management’s response. Our audit work has not identified any further issues in respect of the valuation of land and buildings.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability The Authority's share of the 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 (£34.7m) in the Authority's Balance Sheet at 31 March 2025) 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. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.	We carried out the following audit procedures: • Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Authority 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 additional procedures suggested within the report; and • Obtained assurances from the auditor of East Sussex 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.	From the work performed, we have not identified any issues with respect to the valuation of the pension liability. The Council has used the figures provided by the actuary and have not amended these in any way. We have tested the competences and capabilities of the actuary, therefore satisfied that no incentives to misstate the net pension liability exist.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability (continued) The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. Based on our audit procedures, we concluded that there were no significant risks for material misstatement arising from the source data as we did not identify any significant events or conditions through our analytical procedures that would materially impact the pension liability assumptions.	See prior page for procedures performed.	(continued) We have reviewed the IAS19 assurances from the auditor of the East Sussex Pension Fund. We identified an immaterial disclosure misstatement arising from the conclusions of the Pension Fund audit regarding the net Pension Fund assets. This misstatement is based on the audit of the full portfolio where there was an understatement of the pension fund investment assets valuations, and the estimated impact on the council has been projected at £2,217,420. This would increase the net pension fund asset, an impact which would be netted off by an equal and opposite adjustment to the asset ceiling which restricts the amount a council can recognise as a pension fund asset. And therefore there is no impact on the balance sheet and this would only impact the disclosure in Note 42 of the financial statements. This was discussed with the Council finance team, and they concluded that as the misstatement was immaterial they would not amend the disclosures. We agree this is reasonable based on our audit materiality thresholds, and this is included as an unadjusted disclosure misstatement on page 50.

04 Other findings

Other areas impacting the audit

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.

Issue	Commentary	
IFRS 16 implementation	Procedures performed: - Agreed current year lease amounts to the Trial Balance, Fixed Asset Register, and Lease Register. - Obtained the disclosure requirements for leases from the CIPFA Code of Practice (2024/25) and reviewed the Council's financial statements for compliance. - Assessed completeness and accuracy of Right-of-Use Assets (ROUA) and lease liabilities by: - Comparing current year ROUA and lease liability balances to prior year figures. - Reviewing the insurance schedule to identify leased assets not included in IFRS 16 workings. - Assessing whether management applied appropriate discount rates in lease calculations. - Verifying that ROUAs were correctly included in the calculation of Minimum Revenue Provision (MRP). - Confirming that low-value and short-term leases were appropriately excluded from IFRS 16 workings. - Checking that peppercorn leases were correctly accounted for in accordance with the Code.	Findings: As per CIPFA Code 4.2.4.20, A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. Thus, as per the above, the maturity analysis for the Lessors should be given in iterations of one year, however within the accounts the council have grouped Lessor income lines into 0-1, 1-5 and 5+ Years. This is relating to the Lessors note only. This analysis was not included as a disclosure in the draft financial statements. Additionally, we noted that the weighted average of incremental borrowing rates was not disclosed as required. Auditor view We raised the above points with management and recommended that they amend the financial statements so that they are compliant with the CIPFA Code per above. Management response Management has agreed to appropriately make the above changes.

Other areas impacting the audit

Issue	Commentary
Recognition and presentation of grant income The Authority receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Authority is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Authority also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	Procedures performed For Grants Received in Advance, we tested a sample of items and reviewed supporting documentation to obtain assurance over existence, rights and obligations, and valuation and allocation. Audit team has further obtained the revenue and capital grant listings for 24/25 and compared this to the 23/24 listing, in order to verify completeness. Findings In the 2023/24 year we highlighted an area of balance sheet nomenclature where the Council was disclosing a balance of “Income in Advance” on the Balance Sheet. The Code states that only Grants and Contributions Received in Advance are required to be reported on the face of the Balance Sheet. We recommended that the Council move the genuine income in advance within this total into the balance of Short Term Creditors and to change the title of the remaining balance. The Council decided not to make this change and instead to carry out further analysis of this balance in the 2024/25 financial statements to ensure the change is accurate. We highlighted this as an area of the accounts that was not fully Code-compliant which should be corrected. The Council has carried out that further analysis in 2024/25 and as a result has restated the Balance Sheet by reclassifying £21.190m into Short Term Creditors and renaming the remaining balance of £13.049m to Grants and Contributions Received in advance. We were satisfied this meant the prior year 2023/24 Balance Sheet classifications were now Code-compliant, and the current year 2024/25 Balance Sheet was correctly presented in the draft financial statements. We highlighted that in order to comply with IAS1 the Council should also show how much would have been restated for the issue for the comparatives in the year before the restated year (2023/24) where that amount was material. After discussion we agreed that where the restatement did not impact overall total liabilities/net assets that presentation of a third balance sheet would be excessive, and that disclosure as an explanatory note below the Balance Sheet would be sufficient for users of the accounts to understand the impact in 2022/23. This has been disclosed correctly in commentary below the Balance Sheet in the final accounts, and we include this as an adjusted disclosure misstatement on page 50. (continued)

Other areas impacting the audit (continued)

Issue	Commentary
(continued)	(continued) In our review of the prior year balances we identified an additional £4.3m misclassification between current and non-current Grants Received in Advance. Although this was not material, the Council opted to correct this in the prior year Balance Sheet for consistency. This was restated correctly in the final accounts comparative 2023/24 Balance Sheet, and there was no error in the 2024/25 classifications. We include this as an adjusted disclosure misstatement on page 49. We also identified a prior-year classification issue where a £3.9m Market Sustainability and Improvement fund grant was classified as grant income within the Cost of Services, rather than Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement (CIES). As this was immaterial the Council opted not to restate the prior year, and we are satisfied that this is reasonable and is in compliance with the International Audit Standards. This grant was correctly classified/presented in the current year CIES in the draft accounts. Management response Management has agreed the points above, and amendments to the accounts have been made as set out above and on page 49.

Other areas impacting the audit

Issue	Commentary	
Missing Contingent Liability We have identified a contingent liability during our work performed on Pensions for the "Virgin Media Ltd v NTL Pension Trustees II (and others)" case which was not also disclosed in Note 43: Contingent Liabilities.	We noted in the Notes to the Pension Fund accounts a case which still not concluded and has the potential to impact the pension scheme through a further liability to be incurred by the council.	Auditor view We have communicated this to the client, who has agreed to include a corresponding narrative in the accounts to explain this. Management response Management has provided a narrative to be included in the Contingent Liability which provides an explanation for the status and potential impact of the contingent liability.

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Revenue for the Council is recognised in accordance with IFRS 15 - Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Which of the two standards is applicable depends on determining whether the transaction is an exchange (IFRS15) or non-exchange transaction (IPSAS23). With non-exchange transactions there is no or only nominal consideration in return.	Disclosure is consistent with our knowledge of the Council and is in accordance with the code.	 GREEN
Expenditure recognition	Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;	Disclosure is consistent with our knowledge of the Council and is in accordance with the code.	 GREEN
Valuation methods	Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.	Disclosure is consistent with our knowledge of the Council and is in accordance with the code.	 GREEN

Assessment:

-  **Red** = Marginal accounting policy which could potentially be open to challenge by regulators
-  **Amber** = Accounting policy appropriate but scope for improved disclosure
-  **Green** = Accounting policy appropriate and disclosures sufficient

Other findings – key judgements and estimates

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

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings £379.7m at 31 March 2025	Other land and buildings includes specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) 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 (EUV). The Council engaged an external expert valuer to complete the valuation of properties as at 31 March 2025 on a 3-year cyclical basis. 50% of total assets were revalued during 2024/25. For each asset, management obtain the input and advice of their professional valuer, considered what the appropriate data inputs and method would be for specific assets/groups of assets. Sources of estimation uncertainty have been considered and disclosed in the financial statements. (continued)	• We have assessed management’s valuation expert and concluded they are competent, capable and objective in producing the estimate. We have analysed the method, data and assumptions used to derive the accounting estimate; • We have assessed completeness and accuracy of the underlying information used to determine the estimate; • We confirmed there are no changes to valuation method; (continued)	● Green We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates (continued)

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings	(continued) Management have considered the year end value of assets not revalued by their professional valuer in year. They have considered the average valuation movements for different classifications of land and buildings during the 2024/25 year and have applied this average against the assets not revalued to estimate whether the movement in valuation would be material. In doing this they were satisfied that the net movements were below trivial and therefore are satisfied that they could not lead to material misstatement. The total year end valuation of land and buildings was £379.7m, a net decrease of £9m from 2023/24 (£388.7m).	(continued) - Validated sources of information used by management, management’s point estimate and disclosures relating to the accounting estimate; - We have reviewed management’s approach to assets not revalued; - In respect of the approach referred to in the above bullet point: we have assessed the adequacy of the disclosure of estimate.	 Green We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
Valuation of net pension liability £34.733m at 31 March 2025 IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.	The Council's net pension liability at 31 March 2025 is £34.733m (PY £40.016m). This is made up from a Pension Asset of £359.5m, an asset ceiling of £394.3m was then applied in line with IFRIC 14, to calculate the net liability. This balance is comprised of the East Sussex County Council PF Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. (continued)	- We concluded management's actuarial expert is competent, capable and objective in producing the estimate; - Based on analytical procedures we concluded the Council's share of assets and liability was in line with our expectations. - We engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce and that the method applied was reasonable; <table> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.8%</td><td>5.6-5.95%</td><td>Reasonable – within the range provided by our auditor's expert actuary.</td></tr> <tr> <td>Pension increase rate</td><td>2.9%</td><td>2.85-2.95%</td><td>Reasonable– within the range provided by our auditor's expert actuary.</td></tr> <tr> <td>Salary growth</td><td>2.9%</td><td>0.5% to 2.5% p.a. above Pension Increase Rate</td><td>Optimistic</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>20.9 /21.9</td><td>Pensioners: 19.2 – 21.8 Non-pensioners: 20.6 – 23.1</td><td>Reasonable– within the range provided by our auditor's expert actuary.</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>23.9 / 25.4</td><td>Pensioners: 22.7 – 24.3 Non-pensioners: 24.1 – 25.7</td><td>Reasonable– within the range provided by our auditor's expert actuary.</td></tr> </table> (continued)	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.6-5.95%	Reasonable – within the range provided by our auditor's expert actuary.	Pension increase rate	2.9%	2.85-2.95%	Reasonable– within the range provided by our auditor's expert actuary.	Salary growth	2.9%	0.5% to 2.5% p.a. above Pension Increase Rate	Optimistic	Life expectancy – Males currently aged 45/65	20.9 /21.9	Pensioners: 19.2 – 21.8 Non-pensioners: 20.6 – 23.1	Reasonable– within the range provided by our auditor's expert actuary.	Life expectancy – Females currently aged 45/65	23.9 / 25.4	Pensioners: 22.7 – 24.3 Non-pensioners: 24.1 – 25.7	Reasonable– within the range provided by our auditor's expert actuary.	Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.8%	5.6-5.95%	Reasonable – within the range provided by our auditor's expert actuary.																								
Pension increase rate	2.9%	2.85-2.95%	Reasonable– within the range provided by our auditor's expert actuary.																								
Salary growth	2.9%	0.5% to 2.5% p.a. above Pension Increase Rate	Optimistic																								
Life expectancy – Males currently aged 45/65	20.9 /21.9	Pensioners: 19.2 – 21.8 Non-pensioners: 20.6 – 23.1	Reasonable– within the range provided by our auditor's expert actuary.																								
Life expectancy – Females currently aged 45/65	23.9 / 25.4	Pensioners: 22.7 – 24.3 Non-pensioners: 24.1 – 25.7	Reasonable– within the range provided by our auditor's expert actuary.																								

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability	(continued) The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £9.116m net actuarial gain/loss during 2024/25.	(continued) • Our auditors' expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management's expert. As set out below all assumptions were within the expected range apart from Salary Growth. We have therefore challenged the client to understand why these rates were used, further to this we have carried out sensitivity analysis to satisfy ourselves that the impact of this could never be material. Therefore, satisfied that the following assessment is appropriate: • We have contacted the auditor of the pension fund accounts to obtain assurances over the completeness and accuracy of information which has been provided to the actuary for determining the estimate. We have also carried out testing back to support held by the Council. Note in the assurance letters from the pension fund auditor they highlighted an issue relating to key items in level 3 investments testing where they have identified a £8.182m variance between the investment amount as per listing and the investment manager, when apportioned for the Council's proportion is £2.217m. The projected errors were not material and were not adjusted in Note 42. • We reviewed the adequacy of disclosure of estimate in the financial statements	 Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Recognition and presentation of grant income £417.7m in 2024/25	As per our discussions with the client. Government grants are based on pre-agreed amounts which are communicated by the relevant government agency. The Authority will receive a letter which outlines the grant awarded and the relevant period, and any conditions of the grant, which can be agreed to the financial records. The authority monitors the conditions of the grants so that it can recognise the revenues in line with the agreement. The terms often are around the period the grant relates to, and if any amount does not relate to the period (or other condition not complied with) it is treated as a grant in advance. We are therefore satisfied that transactions are being recorded in the correct period.	- The grants tested were for the Council's own use not for distribution therefore the Authority is only acting as a principal and not as an agent. - Based on our testing, we are satisfied that the completeness and accuracy of the underlying information used to assess whether any conditions remain outstanding (as distinct from restrictions) have been confirmed. This supports the determination of whether the grant should be recognised as a receipt in advance or as income. - We are satisfied with the adequacy of disclosure of judgement in the financial statements. As noted on page 24, we noted some prior year classification issues for grants received in advance, some picked up by the Council and restated in the draft accounts and some picked up in audit review/testing and either adjusted for or left unadjusted as immaterial. We are satisfied that these related only to the Balance Sheet classification of the creditor and were errors/issues with the recognition of the income in the Comprehensive Income and Expenditure Statement.	 Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other findings – Information Technology

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

IT application	Level of assessment performed	ITGC control area rating				Related significant risks/other risks
		Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Asset 4000	ITGC assessment (design effectiveness only)	 Green	 Green	 Green	 Green	None
ContrOCC	ITGC assessment (design effectiveness only)	 Green	 Green	 Green	 Green	None
SAP	Detailed ITGC assessment (design effectiveness only)	 Red	 Red	 Red	 Green	We identified 3 significant deficiencies summarised on the following pages 36 and 37.

The significant deficiencies identified in the Technology Acquisition, Development and Maintenance and Security Management control area related to segregation of duties. Some members of the SAP technical support team have access permissions which would allow them to both develop changes and then import those changes in the production (continued)

Assessment:

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

Other findings – Information Technology

(continued)

environment , as there are only limited segregation of duties in the team structure. Accesses are regularly reviewed and generally temporary and out of necessity due to team size. Similar deficiencies were identified and reported to the council in our 2022/23 and 2023/24 financial year audits.

For 2024/25 the overall ITGC rating remains at the same level (with an additional significant deficiency identified in the Security Management area), and while previously reported deficiencies have not been remediated our IT team noted that there was an improvement in management of this area with a lower volume of profiles having issues of concern overall, but still noting that there was a concern over permissions/”superuser” statuses being assigned without a clear end date. We understand however that the Council was, at the end of the 2024/25 year, implementing the new Oracle system and transferring data/tables from previous systems to the new system, and as such there were clearer business reasons for certain users to have these permissions/system abilities during 2024/25. We have set out 3 significant deficiencies, and recommendations to address where on the next page.

We do not regard these deficiencies as representing a significant risk/deficiency directly for the accounts production/financial accounting control environment, as the officers do not manage accounting/finance data or the accounts production process, and there are separate controls and mitigations in the journals and accounts production process which would detect and prevent fraudulent journal postings and management override of control. This is a significant deficiency however in overall IT governance. We understand as the Council was implementing the new system during the 2024/25 that further significant changes/developments in the SAP system were not considered to be the priority. As the Oracle system has now been implemented in place of SAP our IT audit team will revisit these findings in 2025/26 to fully understand how the IT control environment has been updated with respect to the new system/processes in place.

Significant deficiency findings within SAP– Information Technology

Recommendations

Significant deficiency	Recommendation
1 Users identified with inappropriate access to ABAP debugger in production Some users had inappropriate access to the ABAP debugger in production and there was not a clear end date/temporary status for this level of access. We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.	Management should ensure that the ABAP Debugger access is strictly controlled, as well as perform periodic access reviews and document and enforce a formal change management process for all production code corrections. Management response: The debug access has been removed, and access will be reviewed and actioned. Completion date for overall recommendation 31 March 2026.
2 Powerful Profile Assigned to Interactive-Enabled Accounts One Interactive-Enabled Account was identified with powerful profile rights granting unrestricted access to all SAP transactions and system functions. We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.	Management should immediately revoke SAP_ALL access from dialog and service users unless formally justified, establish a formal emergency access procedure, implement periodic reviews of user access, enforce segregation of duties and maintain audit logs and monitor activities of users with elevated access. Management response: Access will be reviewed and actioned. Completion date for recommendation 31 March 2026.

Significant deficiency findings within SAP– Information Technology

Recommendations

Significant deficiency		Recommendation
3	Table Maintenance Access Assigned to Users in Production Environment 35 users in the SAP production environment had unrestricted table maintenance access, increasing the risk of unauthorized or inappropriate changes to critical system tables. Management have explained that business function requires access to update tables in production. We did not identify any issues/instances of inappropriate journal or transaction postings in our journals testing or overall audit, and we consider the control environment around accounts production and journals to be strong, but we recommend such permissions/accesses are more strictly controlled/monitored.	Management should immediately revoke unrestricted table maintenance access from all users unless explicitly required, restrict table maintenance access aligned to users’ job responsibilities, implement a formal access request and approval process, establish periodic reviews of user access and enforce segregation of duties. Management response: The roles that allow the users maintenance access to tables will be reviewed and actioned. Completion date for recommendation 31 March 2026.

05 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit Committee and have not been made aware of any incidents or other issues identified during the course of our audit procedures.
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	• We are not 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	• We draw your attention to the draft Letter of Representation which is included in the papers for this meeting.

Other communication requirements

Issue	Commentary
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority’s banking and investment/loan partners. This permission was granted and the requests were sent. There is currently 1 requests not received and we are pursuing a response.
Disclosures	• Our review found no material omissions in the financial statements.
Audit evidence and explanations	• All information and explanations requested from management was provided.
Significant difficulties	• No significant challenges arose during the audit to delay audit completion.
Other matters	• No other matters required for discussion.

Other responsibilities

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

Other responsibilities

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

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, 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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.

Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Authority does not exceed the threshold.
Certification of the closure of the audit	We cannot yet certify the closure of the 2024/25 audit where confirmation has not been received from the NAO that the group audit (Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code.

06 Audit adjustments

Audit adjustments

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Note 14 Property, Plant, and Equipment	We noted a classification error moving £239k from “Assets reclassified within PPE” line to “Derecognition - Disposals line”.	✓
Note 30 Pooled Budget and partnership arrangement	In our review of Pooled Budget arrangements, we noted that the apportionment calculated between the partnership entities for the 24/25 Orbis funding was incorrect. The total amount stated is correct however the following figures should be amended to show the Outturn Actual figures per each entity using the correct percentage apportionment. Surrey County Council is currently -£6,263k however should be -£6,304k, East Sussex County Council is currently -£4,739k however should be -£3,484k and Brighton & Hove City Council is -£1,677k whereas this should be -£2,890k.	✓
Note 14 Property, Plant, and Equipment	We also noted classification error of £11k in the Vehicles, Plant, Furniture and Equipment column between “Derecognition - Disposals (Other)” which should be £11k smaller at £1,123k, and “Derecognition - Disposals (Schools)” which should be £11k larger at £3,387k. This follows to the accumulated depreciation figures in which the “Derecognition - Disposals (Other)” balance should be £11k smaller at £720k and “Derecognition - Disposals (Schools)” should be increased by £11k to £361k.	✓
Note 2. Accounting Policies xix. Leases	As per 4.2.2.105 of the CIPFA code, management are required to disclose: 'e. the weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the Balance Sheet at the date of initial application'. As such auditor has challenged management on this and requested the rate to be included as currently it is just stated in the Accounting Policies.	✓

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 46 Trust Funds	We noted a totalling error for the Closing Balance of Robertsbridge Youth Centre which should be (122) instead of (12).	✓
Note 42 Defined Benefits Pension Schemes	The total amount for “current service cost including admin expenses” includes the figures for both “past service costs” of £210k and “(gain)/loss from settlements” £-583k meaning that £373k has been double counted in this figure which should be £34,291k instead of £33,918k. This follows though in the subsequent totals: - “Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services” will become £30,424k and; - “Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code” should show £30,424k.	✓
Narrative report	The actual percentage reported for the General Fund target minimum level of general contingency should be 2.84% instead of the current 2.76%.	✓
Narrative report	The Narrative Report states: “ <i>The general contingency for 2025/26 is £5.3m and will be used in the first instance to cushion the impact of pressures in-year.</i> ” Our testing identified that the correct figure should be £5.7m instead of £5.3m.	✓

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 26 Cash Flow Statement	Within Operating Activities, the figure for "Other non-cash items charged to the net deficit on the provision of services" is to be revised to £4,200k from £4,676k. This adjustment is driven by the reclassification of a Salix Grant of £510k, which will be removed from the "Capital grants credited to deficit on provision of services," to £49,991k from £49,481k. These changes impact the total figures reported on the face of the Cashflow statement as "Adjustments to net deficit on the provision of services for non cash movements" will become £111,208k instead of £110,731k and "Adjustments for items included in the net deficit on the provision of services that are investing or financing activities" will become £51,808k instead of £51,368k, making the total net cash inflow from operating activities £28,994k instead of £29,030k.	✓
Note 27 Cash Flow Statement	Within Investing Activities, the figure for Proceeds from the sale of PPE should be (£1,293k) instead of (£1,363k) due to an error in the formula used by the client which pulled through the figure from Operating Activities section for receipts which was meant to be initially removing the deferred capital of receipts figure of £35k (as it hadn't impacted on the CIES) but it had been entered with the wrong signage and instead of reducing the balance by £35k was adding it and created an imbalance of £70k. Hence the revised total should also be changed to (£54,439k) from (£54,509k) for Net cash flows from investing activities on the face of the Cashflow Statement as well as Proceeds from the sale of Property Plant and Equipment, Investment Properties and Intangible Assets which becomes £1,817k instead of £1,887k, also changing the totals to (£1,293k) from (£1,363k).	✓
Note 4 Critical Judgements in applying Accounting Policies	The period was incorrectly stated as 31 March 2025 instead of 31 March 2026 for the assessment of the Council's Medium Term Financial Planning process. This is a disclosure error with no impact on financial figures or asset valuations. The note should reflect the correct assessment period ending 31 March 2026.	✓

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Balance Sheet Income in Advance classifications – prior year 2023/24	Following our review of the prior year restatement of income in advance balances, we highlighted that in order to comply with IAS1 the Council should also show how much would have been restated for the issue for the comparatives in the year before the restated year (2023/24). After discussion with the Council Finance Team we agreed that where the restatement did not impact overall total liabilities/net assets that presentation of a third balance sheet would be excessive, and that disclosure as an explanatory note below the Balance Sheet would be sufficient for users of the accounts to understand the impact in 2022/23. This has been disclosed correctly in commentary below the Balance Sheet in the final accounts, and we are satisfied this is adequate to achieve the objectives of allowing users of the financial accounts to understand the impact.	✓
Balance Sheet Income in Advance classifications – prior year 2023/24	In our review of the prior year balances we identified an additional £4.3m misclassification between current and non-current Grants Received in Advance. Although this was not material, the Council opted to correct this in the prior year Balance Sheet for consistency. This was restated correctly in the final accounts comparative 2023/24 Balance Sheet, and there was no error in the 2024/25 classifications.	✓

Audit adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 42 Defined Benefits Pension Schemes	Disclosure Misstatement due to conclusions of the Pension Fund audit discussed previously in relation to the net Pension Fund Assets £2,217,420 of page 22. This misstatement is based on the audit of the full portfolio where there was an understatement of the pension fund investment assets valuations, and the estimated impact on the council has been projected at £2,217,420. This would increase the net pension fund asset, an impact which would be netted off by an equal and opposite adjustment to the asset ceiling which restricts the amount a council can recognise as a pension fund asset.	x
Note 39 Leases	As per CIPFA Code 4.2.4.20, "A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years." Thus as per the above, the maturity analysis for the Lessors should be given in iterations of one year, however within the accounts the Council have currently grouped Lessor income lines into 0-1, 1-5 and 5+ Years. This is relating to the Lessors note only.	✓
Note 43 Contingent Liabilities	We have identified a contingent liability during our work performed on Pensions for the "Virgin Media Ltd v NTL Pension Trustees II (and others)" case which was not individually disclosed within Note 43 despite showing in the Pension Fund accounts. The Council have agreed to include a narrative in this note to provide further details.	✓

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
In the Schools PFI recalculation, we noted variances between the Grant Thornton recalculated figures and Management's numbers. On discussion with the Council, they explained that the Schools PFI liability was calculated using a high-level indexation approach, which appears to have overstated the liability compared to the detailed IFRS 16 recalculation performed by the Grant Thornton PFI team. Management's approach applied cumulative indexation rates from the start of the arrangement up to 01/04/2024 and then again for 2024/25, which is a simplified method and does not fully comply with IFRS 16 requirements for remeasurement based on detailed payment schedules and discounting. Consequently, the liability balance is higher than the recalculated figure, and the difference is above trivial. Client has acknowledged this variance and agreed to use the method applied by the Audit Team in subsequent years. This variance therefore remains as an unadjusted misstatement in 24/25 as it is immaterial.	Nil	Dr Lease Liability £1,713,270 Cr Right-of-Use Asset £1,713,270	Nil	Nil
Overall impact of current year unadjusted misstatements	0	0	0	0

Action plan

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

Note the below recommendation is retained/continued from the prior 2 years.

Key

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

Action plan (continued)

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

Assessment	Issue and risk	Recommendations
● Low	<u>PFI Schools Calculation</u> In the Schools PFI recalculation performed by the Grant Thornton PFI team, we identified variances between the Grant Thornton recalculated figures and Management’s numbers. On discussion with the Council, they explained that the Schools PFI liability was calculated using a high-level indexation approach, which has overstated the liability compared to the detailed IFRS 16 recalculation performed by Grant Thornton. Management’s approach applied cumulative indexation rates from the start of the arrangement up to 01/04/2024 and then again for 2024/25, which is a simplified method and does not fully comply with IFRS 16 requirements for remeasurement based on detailed payment schedules and discounting. Consequently, the liability balance is higher than the recalculated figure, and the difference is above trivial. Since the total cumulative variance in school PFI is £1.7 m which is above trivial but below PM hence this has been reported as an unadjusted error.	We recommend that the council uses the detailed PFI model calculations in the future to better conform with IFRS 16 and ensure a more accurate calculation of the year-on-year changes. Management response Management have agreed this point and the revised approach will be applied in the 2025/26 year and following years. This change will be implemented in time for the production of the 2025/26 accounts.

Key

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

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Low	<u>Formal access reviews for journal posters</u> As part of our review of journal entry controls, we noted that a large number of users have the ability to post journals. While we understand that the size of the Council team requires that a large number of people have access, and the overall role assignment controls appear appropriate given the size of the Council, we identified that there is no formal process for periodic access reviews to remove or amend rights.	We recommend that the council implement a more formal, documented process for periodic access review. Management response Management have stated that, while using SAP, an informal approach was in place to annually review the users that had the ability to post journals. However, as part of the move to Oracle, the finance users have been thoroughly reviewed and access granting the ability to post journals within the General Ledger has been provided on a more restricted basis than the access in SAP. Access to the finance roles will be reviewed regularly (at a minimum of annually) to ensure the access is kept up to date.

Key

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

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in two recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented one of our recommendations, however the other raised is still a current issued. See below for details.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>GIA and Land Area Records</u> Within our audit work we noted many instances where the council was unable to find or struggled to obtain backing for their gross internal areas (GIAs) and Land areas. Where this information was found for GIAs, it was in the form of condition surveys and therefore floor plans were still unavailable. This meant that for some items not directly maintained by the council there were issues in finding information and required us to go back to information provided to the current valuers by their predecessors. For Land Areas, the client struggled to find audit evidence in a timely manner and we had to obtain some evidence of site areas from the valuer.	This issue still persists as set out in our findings on pages 19-20 within the Council as we have raised a similar control environment deficiency in the current year. The Council has stated there is still an ongoing project to remeasure GIAs. Management response Management have stated that they will continue the ongoing process to review and update the documentation held on land and floor areas and obtain updated support where necessary.

- Assessment**
- ✓ Action completed
 - X Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<u>Cut off error in insurance claim income recognition</u> During our testing of payments received to conclude on whether income had been recognised in the correct period, we identified one error in which insurance claim income was being recognised based on when the council received the income post year end, as opposed to when the Council had confirmation that the insurance claim was successful pre year end which would be the correct point at which to recognise the revenues under the accruals principle. The amount of the error was small but we raise a recommendation here against this control deficiency.	We have noted one error in our sample testing whereby income has been recognised in the incorrect period, however we have isolated the error and noted that this is a trivial misstatement. We are therefore satisfied that the council has met our prior year recommendation.

Assessment

- ✓ Action completed
- X Not yet addressed

07 Value for Money arrangements

Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR was reported to you as an interim report at the meeting of the Audit Committee on 21 November 2025.

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



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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

In undertaking this work we have identified one continued significant weaknesses in arrangements, and issued one key recommendation.

See the page below for a summary of the significant weakness and key recommendation as reported to the Committee on 21 November 2025.

(continued)

Value for Money arrangements (continued)

(continued)

Significant Weakness in Arrangements

In undertaking this work we have identified one continued significant weaknesses in arrangements, and issued one key recommendation.

In our report as presented to the audit Committee on 21 November 2025, we continued to recognised a weakness in arrangements and reiterated the need for action by the Council via a Key Recommendation. We acknowledged the Council's actions in relation to savings being made in Children's Services, an improvement in the overspend for 2024/25 (compared to prior year) and are aware that the Council have commissioned CIPFA to do a financial resilience review. As such the risk has not increased significantly since the prior year, although it continues to exist, and the Council is actively taking steps to manage the risk. Therefore although a weakness continues to be observed, it has not been escalated above a Key Recommendation. This will be kept under review as part of our 2025/26 work.

Key Recommendation: The Council should continue to seek to be financially sustainable in the medium to longer term by continuing to raise the challenges faced in all appropriate forums, including with MHCLG. Savings plans should continue to be developed, to identify savings, via efficiency, and/or changes in services, to ensure the cost profile of the Council is as a lean as it can be, whilst providing the statutory services required. Conversations should continue, on suitable funding for demand led services alongside national local government reform, as being discussed at a national level.

Our view on this weakness and the recommendation have not changed since reported in November 2025, and we will finalise the Auditor's Annual Report alongside signing the auditor's report on the financial statements.

08 Independence considerations

Independence considerations

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

- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Independence considerations

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

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

Independence considerations

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

Fees and non-audit services

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Teachers Pension Return	£12,500	£12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit 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, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
			Management (if GT were to recommend a particular action or make a decision on behalf of management)	The scope of this work does not include making decisions on behalf of management or recommending a particular course of action.
Total	£12,500	£12,500		

Fees and non-audit services

Total audit and non-audit fee

Audit fee	Non-audit fee
Scale fees: £275,000	Certification of Teachers Pension Return: £12,500
Use of external audit valuation expert: £4,000	
Fee for work on IFRS 16 implementation: £5,000	

The above fees are exclusive of VAT and out of pocket expenses.
The fees agree to the financial statements.

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

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks.	●	
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	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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		
Expected modifications to the auditor's report, or emphasis of matter		

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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



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