



Date: 13 April 2026

Those Charged with Governance  
Cheltenham Borough Council  
Municipal Offices  
Promenade  
Cheltenham  
GL50 9SA

Dear Members of the Audit and Standards Committee

**Cheltenham Borough Council – Audit Completion Report 2024/25**

We are pleased to attach our Audit Completion Report for 2024/25. This report summarises our audit conclusions, highlights the key findings arising from our work and details a number of points that we would like to discuss further with you.

We issued a previous version of this report to be presented to the 23 February 2026 Audit, Compliance and Governance Committee. At the time of issue of that previous report, management were still providing further documentation to enable us to conclude our work in certain areas and an updated final set of consolidated financial statements were also being finalised by management. This final report provides an update on those matters previously reported where work was still in progress.

We have initially discussed the contents of our report with management and incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the finance team for the co-operation and assistance afforded to us during the course of the audit.

Yours faithfully

*Bishop Fleming Audit Limited*

**Bishop Fleming Audit Limited**

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# 1. Executive summary

## Status of audit

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (the Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

In our 2023/24 Audit Completion Report we highlighted our proposed plan to build back assurance after a disclaimed audit opinion was provided by the previous auditors over the 2022/23 statement of accounts. However, we have not been able to complete all of our proposed audit work.

As detailed in section 2, there were a number of areas where we have been unable to complete our work due to the delay in the finalisation of the financial statements and the delays in the receipt of some supporting documentation to complete audit procedures. There were unforeseen circumstances that significantly impacted the finance team's ability and capacity to support the audit process.

We issued a previous version of this report to be presented to the 23 February 2026 Audit, Compliance and Governance Committee. At the time of issue of that previous report, management were still providing further documentation to enable us to conclude our work in certain areas and an updated final set of consolidated financial statements were also being finalised by management. This final report provides an update on those matters previously reported where work was still in progress.

The group financial statements have now been completed and published, although this was after the 2024/25 statutory backstop date of the 27 February 2026.

We will be issuing a disclaimed audit opinion due to the lack of assurance over the opening balances, and areas noted in section 2 of this report.

This opinion will be provided following the 30 day period of public inspection for the Council's group financial statements, completing on 6 April 2026. As such, we have not been able to issue our opinion by the 27 February 2026 backstop date.

## Key audit issues

Within our Audit Plan which was presented to the Audit and Standards Committee in May 2025, we outlined a number of risks that we considered to be of particular significance to the audit. Our plan also detailed our planned approach for addressing each of these risks.

The specific significant risks highlighted were as follows:

- management override of controls;
- valuation of land and buildings (and Council dwellings);
- valuation of investment properties;
- valuation of heritage assets; and
- valuation of the pension fund net liability.

In respect of the significant risks, as detailed in section 2 of this report, we have not been able to complete work on the valuation of land and buildings (and Council dwellings), investment properties, and heritage assets due to delays in the Council completing their work over these areas. The subsequent adjustments required from the valuation exercise had not been processed in the statement of accounts before the statutory backstop date and as a result we have been unable to complete our work over these areas before the backstop deadline.

The work over management override of controls and the valuation of the pension fund net liability is complete. This is reported in greater detail in section 4.

As mentioned above, we will be issuing a disclaimed audit opinion due to the lack of assurance over the opening balances and inability to complete build back assurance work in all areas proposed or complete work in some areas. In section 2, we have set out a more detailed update to our planned audit approach for each of these audit areas for further clarity.

### **Audit Adjustments**

During the course of our work, adjustments were identified and management agreed to make the amendments in the updated financial statements produced.

Further adjustments were proposed but not made, as those charged with governance do not consider them to be material to the financial statements. We accept this explanation.

Full details of the adjustments identified are included in section 5 to this report.

### **Management Letter Points and Internal Control Matters**

A number of control points were identified during the course of our work, and these are further detailed in section 6 to this report. Of the matters noted, we have ranked one as a high risk control weakness. This is in relation to the impact of the changes in the finance team and their ability to deliver a final set of financial statements for audit.

We note that there were capacity pressures on the finance team during 2024/25 with the staff and services of Cheltenham Borough Homes being brought in-house to the Council, and several significant projects that required senior finance team input such as the Golden Valley project. We have not identified any other significant control weaknesses from the work we have completed, however it is important to recognise that a number of areas have not been audited as explained in section 2.

A number of further changes impacted the finance team post year end and there is a risk that such changes could weaken the control environment for periods during 2025/26. It is important that sufficient focus is placed upon ensuring core financial and budgetary controls continue to operate effectively in 2025/26 through this challenging period. We will spend time focusing on any changes in the control environment and the impact that this will have on our audit risks and approach for our 2025/26 external audit.

### **Value for Money**

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025. The Code requires us to report on the Council's arrangements under three specified reporting criteria:

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

Our work has identified a significant weakness regarding the production of the financial statements; see section 7 for more details. The results of the Value for Money work are reported separately in our Auditor's Annual Report.

### **Independence**

The FRC Ethical Standard and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

## 2. Introduction

### Responsibilities of the audited body

The audited body is responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that it confirms that our understanding of all matters referred to in this report are appropriate, having regard to its knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of Cheltenham Borough Council.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

### Materiality

In carrying out our audit work we have considered whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in context of the financial statements as a whole.

In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements.

	Basis of materiality	Amount
Cheltenham Borough Council	2% of gross expenditure	£1,882,000

### Anticipated audit report

The Council's financial statements for 2023/24 were given a disclaimed audit opinion. As a result, we do not have assurance over the opening balances for the 2024/25 audit and there are material areas of the 31 March 2025 balance sheet and 2024/25 income and expenditure statement for which we have not been able to gain sufficient assurance in the current year.

We will be issuing a disclaimed opinion on the financial statements of Cheltenham Borough Council for the year ended 31 March 2025.

We will provide the audit opinion following the completion of the 30 day period of public inspection for the Council's group financial statements in April 2026.

We will be aiming to rebuild assurance over subsequent audit years. We will set this out in greater detail in our 2025/26 audit plan, working with management and the finance team to establish a suitable approach to build back assurance to return the Council to an unqualified opinion.

### Letter of Representation

We will provide the letter of representation separately.

## Update on our planned approach

As you will be aware, on 5 September 2024 the government published the Accounts and Audit (Amendment) Regulations 2024, which came into force on 30 September 2024. These set a publication date for financial statements up to and including 2022/23 of 13 December 2024 and for the 2023/24 financial statements of 28 February 2025. The National Audit Office Code, which came into force on 14 November 2024, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

The 2022/23 and 2023/24 accounts were both disclaimed, as no audit work was completed in 2022/23 and the 2023/24 were not fully audited due to the time restriction of the backstop. This has meant that we are unable to place reliance on opening balances or give an opinion on in-year movements which depend on those balances.

The Council published draft 2024/25 financial statements on their website in advance of the planned commencement of the audit. These financial statements were not complete, as they only reflected the Council and not the group, and did not include material adjustments for the year that were required to be processed, such as the valuations of property, plant and equipment.

At the planned start date of the audit (October 2025) the group accounts were still not finalised, and the omissions noted in the original draft had not yet been addressed. As a result, we agreed to delay the start of our substantive work, but selected samples for testing in areas where balances were expected to be final for management to work on before we resumed our testing in November 2025.

As the delayed audit was due to restart in November, the former Section 151 Officer sadly passed away. This required an immediate pause while the Council addressed the operational and governance implications of this loss and the wider impact that this loss had on the finance team. The audit resumed in December 2025, though there had been no progress on the financial statements.

In January 2026 a key member of the finance team was then unavailable, resulting in further delays in resolving audit queries.

A new interim Section 151 officer was employed from January 2026.

We discussed the progress and challenges with management and agreed the areas we would complete our testing over, provided management were able to resolve our outstanding queries, given the remaining tight timeframe to the 27 February 2026 backstop date.

The Council published the group financial statements on its website on 5 March 2026, after the 27 February 2026 backstop date. As well as including group balances, these financial statements had also been amended for the adjustments to the Council results noted above.

In the previous draft of this report issued to the Audit, Compliance and Governance Committee in February, we included a summary of the work completed in each of the main sections of the financial statements. Since the issue of this report, we have worked with management to close down any ongoing work. Efforts are now being focused on working with management to build back assurance starting from the 2025/26 audit process. The final position for the 2024/25 audit work completed can be summarised as follows:

Area	Work Completed
AGS	Standard audit approach taken, finding raised in relation to the need to document the consideration of the risk of a section 114 notice. See Section 5 for further details.
Narrative Report	Standard audit approach taken, completed on the Council only draft. The narrative sections in the updated group financial statements are consistent with the original draft.

Area	Work Completed
Expenditure (including payroll)	<p>Standard audit, except for HRA expenditure, depreciation and gains/losses on revaluation of property plant and equipment, investment properties and financial assets which have not been tested.</p> <p>We were unable to complete our substantive testing over expenditure cut-off samples. We will considered the implications of this and develop a plan to address this as part of our risk assessment process for building back assurance that we will recommence as part of our 2025/26 audit cycle.</p>
Income	Standard audit approach taken, except for HRA income which has not been tested. Our testing is complete.
Expenditure and Funding Analysis	Standard audit approach taken. Our testing is complete.
Property, Plant and Equipment	Testing not completed due to omission of valuation entries and the fixed asset register not reconciling to the draft financial statements – we plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance
Heritage Assets	Testing not completed due to omission of valuation entries and the fixed asset register not reconciling to the draft financial statements – we plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance
Investment Property	Testing not completed due to omission of valuation entries and the fixed asset register not reconciling to the draft financial statements – we plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance
Investments	Standard audit approach taken. Our testing is complete.
Debtors	<p>Standard audit approach taken, except for community infrastructure levies and benefits overpayments where we did not receive suitable breakdowns to undertake our testing, and the bad debt provision.</p> <p>We plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance.</p>
Assets Held for Sale	<p>Testing not completed due to omission of valuation entries and the fixed asset register not reconciling to the draft financial statements.</p> <p>We plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance</p>
Cash and cash equivalents	Standard audit approach taken. Our testing is complete.
Borrowing	Standard audit approach taken. Our testing is complete.

Area	Work Completed
Creditors	<p>Standard audit approach taken, except for receipts in advance, where an itemised breakdown of the year end balances that reconciles to the balance was not provided to enable us to undertake our testing.</p> <p>We plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance</p>
Grant receipts in advance	<p>Testing not completed as an itemised breakdown of year end balances that reconciled to the overall balance was not provided to enable us to undertake our testing.</p> <p>We plan to build back assurance in 2025/26 by testing the 31 March 2026 year-end balance</p>
Provisions	Standard audit approach taken.
Reserves and MiRS	<p>Standard audit approach taken to testing of consistency and accounting treatment in reserves. However, gaining assurance over the accuracy and completeness of reserves balances brought forward is much more complex given the disclaimed opinions and lack of audit work completed on the 2022/23 and 2023/24 income and expenditure. This is discussed further below.</p>
Cash Flow Statement	<p>We have agreed the majority of CFS to other areas of the accounts. However, we cannot fully conclude on this as assurance has not been given on some of those areas (such as debtors or creditors).</p>
Related Party transactions	Standard audit approach taken.
Collection Fund	<p>Standard audit approach taken, except for Council Tax and NNDR relief testing where we were unable to complete our testing of these balances before the backstop date.</p> <p>We will consider how to most effectively build back our assurance over the Collection Fund in our 2025/26 audit cycle.</p>
Financial Instruments Disclosures	Standard audit approach taken.
Senior Officer Remuneration	Standard audit approach taken. Our work is complete.
Capital expenditure and financing	Testing not completed due to the link to the related property, plant and equipment balances.
Defined benefit pension scheme	Standard audit approach taken. Our testing is complete. See section 4 where this is detailed further.

Area	Work Completed
Journals	Standard audit approach taken. Our testing is complete. See section 4 where this is detailed further.
Lease disclosures	Standard audit approach taken, except for IFRS 16 disclosures which have not been included in the updated group financial statements. We will test the transition to this new standard as part of our 2025/26 audit work.
HRA	<p>Testing not completed. This is due to changes identified as part of the Cheltenham Borough Homes audit which were required to be processed by management that had not been completed.</p> <p>We plan to build back assurance through testing the 2025/26 transactions and 31 March 2026 balance sheet.</p>
Group (consolidation)	<p>Testing not completed on the consolidation as we have not been provided with Group financial statements to audit. However, we are also the external auditors of Cheltenham Borough Homes and have completed a full audit of the group's only material subsidiary company.</p> <p>The Council equity accounts for their share of the assets and liabilities of Gloucestershire Airport. With the sale of this investment expected to complete shortly, the sales value will give a good level of assurance of the appropriate carrying value of the assets at 31 March 2025.</p> <p>Therefore, we have the ability to build back assurance over this area looking forward.</p>

Other than the areas detailed above, our audit is complete.

### Building back assurance over reserves

As highlighted in the table above, the ability to build back assurance over reserves balances is complex. This is a sector wide challenge and as such the regulators and audit firms have been meeting to discuss practical solutions to this problem. There is a sandbox environment for technical leads for the audit firms to discuss potential approaches that could be taken moving forward.

The most straightforward option to build back the assurance would be to perform testing over the transactions in all the disclaimed periods that impact reserves. However, there is not sufficient capacity in the system to complete this work retrospectively and was not the intention of the regulators when the backstop arrangements were put in place.

A bespoke arrangement will need to be tailored for each Council that takes into account the risk of material misstatement for each reserve that will include consideration of:

- The materiality of the reserve balances
- The materiality in the movement in and out of the reserves balances
- The ability to translate a year end reserve balance into a discrete number of auditable items or transactions or whether it is the net of a large number of in-year transactions (like movements on the general fund)
- The consistency in the balances and movement in reserves with other balances in the statement of accounts
- The predictability of the balances and whether some assurance can be provided by analytical procedures

We will set out in greater detail our plan to building back assurance for the Council in our 2025/26 audit plan.






## **Confidentiality**

This document is strictly confidential and although it has been made available to those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the Local Audit and Accountability Act 2014 (the Act) and from the Code. The contents of this report should not be disclosed to third parties without our prior written consent.




### 3. Accounts and audit process

The preparation of the financial statements is a vital process for the management of the Council and one which should be performed on a timely basis. We met with senior officers as part of our planning work to discuss how we would work together to make the audit process effective.

We discussed key accounting issues early, so they could be considered before the audit commenced.

<b>Readiness for audit</b>	
<b>Quality of financial statements</b>	
<b>Accuracy of financial records</b>	
<b>Quality of working papers</b>	
<b>Availability of Staff</b>	

#### Key (Impact on audit approach)

None or limited impact	
Some impact	
Significant impact	

#### Readiness for audit

The Council did not publish their Group financial statements by the 30 June 2025 statutory deadline, and the group financial statements were published on 5 March 2026, after the 27 February 2026 backstop date for completing 2024/25 audit work.

The Council published a draft set of Council only financial statements on 22 July 2025. These financial statements were not complete, as they only reflected the Council and not the group, and did not include material adjustments for the year, such as the valuations of property, plant and equipment and investment property, which have adjustments which carry through many balances and notes to the accounts. The omissions were highlighted by management to the audit team.

At the planned start date of the audit, management did not have the capacity to begin to address audit requests and queries, so the audit timetable was delayed, supporting management. As the delayed audit was due to restart in November 2025, the former Section 151 Officer passed away. This required an immediate pause while the Council addressed the operational and governance implications of this loss. The audit resumed in December 2025, but with the capacity in the team reduced it wasn't possible to complete all the necessary work.

These events created unavoidable disruption to the availability of key leaders and individuals within the finance team and delayed the timely provision of information essential to progressing the audit in line with the original timetable.

#### Quality of financial statements

The initial set of financial statements provided to the audit team was a draft set of Council only accounts which contained material omissions, including the valuation of property, plant and equipment and investment properties. The final unaudited group financial statements have not been published or issued to audit at the date of this report. The absence of key finance personnel as mentioned previously meant that these updated statements could not be produced within the required timeframe.

### **Accuracy of financial records**

For the areas we have been able to test, the majority of the underlying financial records are accurate, agreed to the supporting information provided, and were easy to understand.

### **Quality of working papers**

While the quality of the working papers and supporting evidence provided was generally good, there were some areas where audit evidence provided was not appropriate leading to additional follow up queries being required, and in some cases could not be sampled from, as they did not give the level of detail required or reconcile back to the balances being tested, such as community infrastructure levies, receipts in advance, and housing revenue account transactions.

Changes in the finance team have undoubtedly had an impact on this. We will continue to work with the finance team to improve the process of requesting support, how it is collated and provided, and the resolution of queries to improve the process for the next year. In addition, management has confirmed that for 2025/26 an enhanced internal quality control process will be implemented to address the issues identified in 2024/25. This demonstrates a proactive commitment to strengthening the quality of working papers and supporting information for the 2025/26 audit.

### **Availability of Staff**

The availability of key finance personnel presented a significant challenge throughout the audit. The unexpected passing of the former Section 151 Officer during the process, in a period where the Deputy Section 151 Officer was already on maternity leave, and then further periods of leave by other key members of the team. These key individuals held substantial knowledge and responsibility for the preparation of the financial statements and had been responsible for the coordination of audit queries. This reduced the capacity and ability within the finance team to service the audit process and delayed the Council's ability to respond promptly to audit requests and queries.

## 4. Audit risks

### Significant risks:

#### Management override of controls (applicable to Group and Council)

##### Significant Risk

We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed.

##### Work done and conclusion

To address this risk, we have:

- reviewed the reasonableness of accounting estimates and critical judgements made by management;
- tested journals with a material impact on the results for the year; and
- considered a sample of other journals with key risk attributes.

In testing journals, we used data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.

We have not identified any material errors from our work carried out. However, it is important to note that there were areas of the audit not completed and management override of controls must be part of our approach and considerations in all areas of the audit file.

#### Valuation of land and buildings (applicable to the Council)

##### Significant Risk

There is a risk over the valuation of land and buildings due to the high degree of estimation uncertainty, and judgements involved in build valuations.

##### Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the challenges set out in Section 2, we have been unable to undertake our testing for land and building valuations.

#### Valuation of investment properties (applicable to the Council)

##### Significant Risk

There is a risk over the valuation of investment properties due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements.

##### Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the challenges set out in Section 2, we have been unable to undertake our testing of investment property valuations.

## Valuation of heritage assets (applicable to the Council)

### Significant Risk

There is a risk over the valuation of heritage assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements.

### Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the challenges set out in Section 2, we have been unable to undertake our testing of heritage asset valuations.

## Valuation of the pension fund net liability

### Significant Risk

There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions.

### Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the time constraints imposed by the statutory deadline of 28 February 2025, and as set out in Section 2 above, we have been unable to conclude our testing for the valuation of the pension fund net liability.

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert;
- considered the accuracy and completeness of the information provided to the actuary;
- ensured that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary;
- carried out procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Gloucestershire Pension Fund in respect of the controls around 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.

Our findings showed the assumptions used are consistent with our expectations and those used by other actuaries at 31 March 2025.

The net pension liability at 31 March 2025 is £18.4m which is a decrease in the liability of £6.0m from the 31 March 2024 liability of £24.8m. The closing balance is inclusive of the liability for unfunded obligations of £0.8m (2023/24: £1.1m).

The change in assumptions used by the actuary has increased the gross position by £38.0m from a net asset of £8.1m to £46.9m, this is offset against the increase arising from the asset ceiling effect, reducing the 2024/25 net pension liability by £65.3m to a similar position to 2023/24.

## Valuation of the pension fund net liability

Key assumptions	2023/24	2024/25
Discount rate	4.80%	5.80%
CPI / pension increase assumption	2.80%	2.80%
Salary increases	3.30%	3.30%

Under IFRS, additional guidance is provided in IFRIC 14 on the extent to which a defined benefit pension asset should be recognised. The actuary has produced an asset ceiling report that demonstrates that by following the guidance in IFRIC 14 none of this asset should be recognised and a liability of £18.4m is recognised instead. This adjustment effectively allows for ongoing commitments to contributions to the pension scheme into the future, over and above the expected service charge.

We have received the response from the pension fund auditor. This identified an overstatement of the Pension Fund's net assets. This has resulted in an unadjusted item for the Council's share of the pension scheme assets, see Section 5 for further details.

We have not identified any material errors from our work carried out.

As part of our planning, we rebutted the risks of fraud in revenue recognition (required under the ISAs) and fraud in expenditure recognition (required under the Financial Reporting Council's Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom).

## Other risks:

### Implementation of IFRS 16 Leases

#### Other risk

2024/25 was the first year in which local government bodies were required to implement the provisions of IFRS 16 leases.

There is a risk that the Council has not appropriately complied with IFRS 16.

#### Work done and conclusion

To address this risk, we have:

- Documented our understanding of the processes and controls put in place by management for identifying lease contracts, including those not covered by the transitional arrangements, and evaluate the design of the controls;
- Reviewed the appropriateness of assumptions used in calculating the estimate;
- Reviewed the completeness and accuracy of the data gathering exercise;
- Confirmed the appropriateness of application of exemptions for existing contracts such as short term and low value leases;
- Reviewed the required transitional disclosures and the application of the adjustment to the opening balances; and,
- Tested a sample of leases for accuracy in calculating the right of use asset and lease liabilities.

Management engaged Grant Thornton to complete a review of the Council's leases impacted by the application of IFRS 16. The review concluded that there was no material impact as all leases where assets were not already recognised on the balance sheet were out of scope of IFRS 16 as they were either low value assets.

We have reviewed the assessment and checked that the assets identified as previously recognised were indeed within the Council's PPE balance for 2023/24 and 2024/25, with no issues noted. We have not performed any further work over the disclosures for these balances as they have not been adopted into the 2024/25 financial statements. We will revisit the adoption of IFRS 16 as part of our 2025/26 audit work.

## 5. Audit Adjustments

In accordance with the requirements of International Standards on Auditing, we must communicate all adjusted and unadjusted items identified during our audit work, other than those which we believe to be clearly insignificant.

We also note that the initial draft of the financial statements that were published on the Council's website only included the Council's own position and omitted a number of items that required updating for a final unaudited set of group financial statements to be published and subject to the period of public inspection. The key items that were originally excluded and that management have agreed need to be amended for the final accounts include:

- Housing Revenue Account postings where errors have been identified in the 2024/25 Cheltenham Borough Homes, that impacted which costs should be recognised in the HRA in relation to the cut-off of expenditure around the time of transfer back into the Council of the ALMO services.
- The calculation and processing of the adjustments throughout the accounts in relation to the revaluation of property, plant and equipment, investment properties, and heritage assets. These adjustments impact a number of balances and disclosures throughout the financial statements.
- Preparation of consolidated group balances to incorporate Cheltenham Borough Homes and the joint venture investment in the airport.

### Misclassifications and adjustments to disclosures

The table below provides details of any misclassification and disclosure changes identified during the audit.

Misclassification/ Disclosure change	Audit comment	Adjusted?
Termination benefits bandings	Per the CIPFA code, disclosure of termination benefits rising up to £100k should be presented in bands of £20k, then rising in bands of £50k. The original disclosure provided to audit was presented in bands of £40k.	Yes
Annual Governance Statement, Section 114 consideration	The CIPFA code requires that the authority give consideration to the risk that a section 114 notice might need to be issued in the near to medium term. This is a new requirement for 2025. The original version provided to audit did not give clear mention to this.	Yes
Pension Fund – Understatement of assets	Following completion of the Pension Fund auditor's work, they reported an overstatement of the Fund's net assets of £2.7m, caused by timing differences in asset valuations. The Council's 5% share of this overstatement equates to £135k. Ordinarily, this would require an adjustment to the net pension liability; however, due to the application of the asset ceiling, the closing balance is unaffected.  The Pension Fund auditor completed their procedures after year end, by which point the Council had already prepared its financial statements and pension disclosures based on the actuary's IAS 19 report.	No
Council as lessor – operating leases	We identified that for one lease the Council's lease schedule did not calculate the contractual stepped rents, resulting in an understatement of the minimum lease payments receivable by £5m, due to the 170 years remaining on the lease.	Yes
IFRS 16 adoption	The CIPFA Code adopted IFRS 16 leases for 2024/25. The Council has not applied this new standard due to the delayed timeframes for completion of the financial statements.	No

## 6. Management letter points and internal control systems

The Council's management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Audit and Standards Committee as 'Those Charged with Governance' that it has done so.

In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit, none of which are considered significant.

### KEY:



Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.



Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.



Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.

### Current Year Issues

Production of the year-end financial statements	
<p>The Council's 2024/25 group financial statements were not published by the 30 June 2025 statutory deadline, and have not been published at the date of this report. The Council did publish draft financial statements, although as previously noted these had some significant omissions, including adjustments for the HRA identified as part of the 2024/25 CBC audit, calculating and processing the valuation entries, and the completion of group consolidated balances required for the group financial statements.</p> <p>We note that there were capacity pressures on the finance team during 2024/25 which significantly contributed to the delays, with Cheltenham Borough Homes being brought in-house, changes at Publica and several significant projects that required senior finance team input such as the Golden Valley project and some key asset disposals.</p>	<p><b><u>Recommendation</u></b></p> <p>We recognise that additional resource has been brought into the finance team post year end to help stabilise the situation and enable resource to be created to produce the final consolidated financial statements for 2024/25.</p> <p>We recommend that management continue to monitor the capacity of the team through this period of stabilisation and ensure that there is no significant deterioration in the core financial control environment and an appropriate level of oversight and segregation of duties is maintained.</p> <p><b><u>Management comment</u></b></p> <p>It is recognised that whilst additional capacity has been brought into the team, it is important to ensure that this continues to be monitored including ensuring that new members of the team are sufficiently supported and trained. A plan for completion of 25/26 accounts including the capacity to do so will be formulated and any gaps in capacity or skills identified and dealt with.</p>

## Balance sheet control reconciliation



We have noted a number of areas where we did not receive suitable breakdowns of the year end balances, such as community infrastructure levies, and therefore have not been able to sample the closing balance appropriately.

In such cases, we have often only been able to access transaction listings showing debits and credits going in and out of the balance sheet account.

### **Recommendation**

Management should complete regular balance sheet reconciliations to ensure that there is visibility over the items that are in the account that make up the balance. This allows management to review and check that all balances still appear to be valid and accurate.

### **Management comment**

As part of the review of capacity and skills, a plan for regular balance sheet control reconciliation will be identified and completion monitored going forwards.

## IFRS 16 Adoption



Management engaged Grant Thornton to complete a review of the Council's leases impacted by the application of IFRS 16. The review concluded that there was no material impact as all leases where assets were not already recognised on the balance sheet were out of scope of IFRS 16 as they were low value assets.

Due to the timeframes for preparation, management did not adopt the requirements of IFRS 16, and omitted the required disclosures as prescribed by the code on adoption of IFRS 16 in 2024/25.


### **Recommendation**


Management should review the requirements of the code in relation to IFRS 16, accounting for their leases in line with IFRS 16 as adopted by the CIPFA code, and preparing and presenting the relevant disclosures in the financial statements.

### **Management comment**


Management will address this as part of 25/26 accounts preparation.

## Prior Year Issues – Unresolved

Payroll/HR Documentation	
2023/24: 	
<p><b><u>Original 2023/24 Finding</u></b> Our review of the payroll testing identified that there were three employees for whom signed up-to-date contracts could not be provided.</p> <p><b><u>2024/25 Update</u></b> We sampled 20 employees. Contracts have not been provided for 2 employees.</p>	<p><b><u>Original 2023/24 Recommendation</u></b> We recommend that management ensures strong procedures are in place for maintaining appropriate HR documentation.</p> <p><b><u>Original 2023/24 Management comment</u></b> Our HR and payroll teams will ensure that all future contracts are returned and filed within their systems.</p> <p><b><u>2024/25 Recommendation</u></b> Our original recommendation is ongoing.</p> <p><b><u>2024/25 Management comment</u></b> Our HR and payroll teams will ensure that all future contracts are returned and filed within their systems.</p>

Review of the bad debt provision	
2023/24: 	
<p><b><u>Original 2023/24 Finding</u></b> Our review of the bad debt provision identified that there is no information to support the percentage of debts provided for.</p> <p><b><u>2024/25 Update</u></b> Our testing has not identified any change in the processes at the Council.</p>	<p><b><u>Original 2023/24 Recommendation</u></b> We recommend that management review the methodology for calculating the bad debt provision and use a percentage that is based on actual historic write-off levels.</p> <p><b><u>Original 2023/24 Management comment</u></b> The numerical value and number of bad debt write-offs processed each year is extremely low. Our methodology of using management judgement to determine a percentage provision against each category of debt is deemed to be a more prudent approach.</p> <p><b><u>2024/25 Recommendation</u></b> Our original recommendation remains ongoing.</p> <p><b><u>2024/25 Management comment</u></b> The Bad Debt Provision assumptions will be considered as part of closedown for 25/26.</p>

## Prior Year Issues – Resolved

Implementation of the asset ceiling on the pension fund net liability	
<p><b>2023/24:</b>  <b>2024/25: Resolved</b></p>	
<p><b><u>2023/24 Original finding</u></b>            We reviewed the asset ceiling report provided by the actuary in respect of the net asset (before any adjustments) of £9.170m. This report detailed that there is an additional liability to recognise and an adjustment of £32.918m is required to the net asset/liability for the effect of the asset ceiling, which would leave a net liability of £23.748m.</p> <p>In addition, as is detailed within the asset ceiling report, the asset ceiling calculations do not take account of any of the Employer's unfunded benefits. The unfunded liability of £1.084m should have been included as a liability.</p> <p>Management amended the financial statements for this issue.</p> <p><b><u>2024/25 Update</u></b>            The Council has obtained the asset ceiling report and have accounted for the net pension liability resulting from the asset ceiling correctly.</p> <p>We consider this recommendation suitably addressed.</p>	<p><b><u>Original 2023/24 Recommendation</u></b>            As part of the accounts compilation process for 2024/25, management should ensure that they understand the reports from the actuary and apply the recommended treatment.</p> <p><b><u>Original 2023/24 Management comment</u></b>            This was the first year in which an asset ceiling report was requested in response to the net pension liability in the actuary report being calculated as positive, meaning the accounting treatment of the balance needed to be assessed. The 2024/25 asset ceiling report has already been requested from the actuary as part of the preparation for the closedown and accounts preparation process.</p>

## 7. Other matters

### Other information

We are required to give an opinion on whether the other information published with the audited financial statements (for example, the Narrative Statement and Annual Governance Statement) is materially inconsistent with the financial statement or our knowledge as obtained during the audit.

We have nothing to report in this respect.

### Reporting by exception

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with “Delivering Good Governance in Local Government: Framework 2016 Edition” published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report on these matters.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

### Going concern

Our work has not identified a material uncertainty related to going concern. We are satisfied that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

### Value for money arrangements

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025. The Code requires us to report on the Council’s arrangements under three specified reporting criteria:

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

We asked management to complete an evidenced self-assessment of the Council’s arrangements. We have received partial responses from this and are waiting on management to provide responses to our outstanding queries. We have reviewed the evidence provided so far and carried out follow-up work as appropriate to consider whether there are any significant weaknesses in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

We identified a significant weakness in the Authority's arrangements for producing 'true and fair' financial statements on a timely basis. The Council did not produce the full 2024/25 group financial statements before the 30 June 2025 statutory deadline, instead producing them on 5 March 2026, also after the 27 February 2026 backstop date being set by the Ministry of Housing, Communities and Local Government.

The results of the Value for Money work are reported separately in our Auditor's Annual Report.

### Whole of Government accounts work

Alongside our work on the financial statements, we also review and report to the National Audit Office on the Council's Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet completed the limited procedures required in the National Audit Office's group instructions in respect of our work on the Council's WGA submission. This will be done alongside issuing the audit opinion on the Council's accounts.

### Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We will be unable to issue our audit certificate alongside the auditor's opinion on the accounts until we have received confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

### Audit fees

Our final fee for the 2024/25 audit is set out below:

	Fee proposed at planning stage (£)	Final fee (subject to approval by PSAA) (£)
PSAA scale fee 2024/25	170,744	170,744
<i>Fee variations:</i>		
Review of implementation of IFRS 16	TBC	TBC*
VFM significant weakness: delayed production of financial statements		TBC*
<b>Total (excluding VAT)</b>	<b>TBC</b>	<b>TBC</b>

\*Figures are subject to final confirmation on completion of work.

We can confirm that we have not undertaken any non-audit work at the Council during the year.

# Appendices



# 1. Required communications with the Audit and Standards Committee

Under the auditing standards, there are certain communications that we must provide to the Audit and Standards Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: <ul style="list-style-type: none"> <li>• uncorrected misstatements and their effect on our audit opinion;</li> <li>• the effect of uncorrected misstatements related to prior periods;</li> <li>• a request that any uncorrected misstatement is corrected; and</li> <li>• in writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> <li>• enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• a discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report Discussions at Audit and Standards Committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> <li>• our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities.</li> </ul>	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at Audit and Standards Committees
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report



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