Grant Thornton

Audit Findings (ISA 260) Report for Knowsley Metropolitan Borough Council

Year ended 31 March 2025

January 2026

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15 January 2026

Dear Members of the Governance and Audit Committee

Audit Findings for Knowsley Metropolitan Borough 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 have been discussed with management.

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.

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.

John Farrar

Director
For Grant Thornton UK LLP

Contents

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 Knowsley Metropolitan Borough 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) and Narrative Report, 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 on-site and remotely during July 2025 -January 2026. Adjustments to the draft 2024/25 accounts arising from our audit work are detailed from page 36. The adjustments to the primary financial statements relate to the classification of grant income within the Comprehensive Income and Expenditure Statement and the derecognition of £18m of assets incorrectly reported as held for sale as at 1 April 2023. We set out the disclosure adjustments arising from our audit on page 38.

We have also raised recommendations for management as a result of our audit work. These are set out from page 41. Our follow up of recommendations from the prior year's audit are detailed at page 44.

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

- review of an additional note disclosing the maturity analysis of lease receivables;
- final quality reviews by the engagement manager and engagement lead;
- receipt of the management representation letter (please see page 59); 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.

Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts soon after the Committee's 26 January 2026 meeting.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the 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 is set out in the separate Auditor's Annual Report, which was presented at the December Governance and Audit Committee. We identified two significant weaknesses in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. These relate to:

- financial sustainability over the growing deficit on the Dedicated Schools Grant.
- securing economy, efficiency and effectiveness, following the 'inadequate' Ofsted inspection in February 2025.

Our findings are set out in the value for money arrangements section of this report (page 47).

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.

We have completed the majority of work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- 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;

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. However, the draft accounts were revised to correctly reflect the PPE-related prior period adjustments, and revised draft accounts were received for audit on 22 October 2025.

Headlines

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.

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 2025, 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 implementation of IFRS 16 has resulted in £4.1m of lease liabilities and £7.5m Right of Use Assets recognised on the balance sheet in respect of former operating leases. The difference of £3.4m between the two values are due to peppercorn leases (where the Council has the right to use assets, but negligible liability associated with those rights). In addition, the PFI liabilities are required to be restated on transition to reflect the indexation of unitary payments since the start of the schemes. This has resulted in a £3.2m increase of the opening PFI liability as at 1 April 2024.

From our work, we identified a disclosure error relating to maturity analysis of lease liabilities. This had been disclosed incorrectly based on the discounted amounts instead of undiscounted amounts. This has been adjusted in the final version of the accounts.

We have undertaken procedures to confirm completeness of leases identified. This identified some further items for review and we await further information from management to demonstrate how all other contracts and arrangements have been assessed to identify any leases.

We identified one leased asset which had been recognised in the balance sheet prior to the implementation of IFRS 16. This resulted in overstatement of expenditure in 2024/25 of £3.5m which has been included as an unadjusted error.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated May 2025, we determined materiality at the planning stage as £9m based on 1.47% of prior year gross expenditure. Following year-end, we have reconsidered planning materiality based on the draft financial statements. Materiality has been updated and recalculated based on the reported expenditure.

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

Basis for our determination of materiality

- We have determined materiality at £10m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as prior year audit findings.
- We have used 1.5% of gross expenditure in the 2024/25 draft financial statements, as the basis for determining materiality.
- We consider user of the financial statement to be most interested in how the Council has expended its revenue and other funding.

Performance materiality

- We have determined performance materiality at £7m, this is based on 70% of headline materiality. We have revised the performance materiality percentage from the prior year (75%) to reflect the findings identified in the prior year.

Specific materiality

- Senior officers' remuneration – due to the sensitive nature of this disclosure we have set a lower materiality of £30,00. This has been set at 1.5% of senior management remuneration.

Reporting threshold

- We report to you all misstatements identified in excess of £0.5m, 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	10,000,000	This equates to 1.5% of your gross operating expenditure for 2024/25. It is considered to be the level above which users of the financial statements would wish to be aware of errors or misstatements in the context of overall expenditure.
Performance materiality	7,000,000	The performance materiality has been set at 70% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors rising. In our prior year audit, this was set at 75%, but we have lowered the performance materiality following the errors identified in the prior year.
Reporting threshold	500,000	Reporting Threshold £500,000. This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate. It is standard benchmark set at 5% materiality,
Specific materiality for senior officer remuneration	30,000	Specific materiality for senior officer remuneration £30,000 This is due to its sensitive nature, with the value based on 1.5% of the total senior management remuneration.

Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other 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	● Green
Valuation of land and buildings, surplus assets and investment properties	Significant	↔	×	High	● Green
Valuation assumptions of the Pension Fund Net Liability	Significant	↔	×	High	● Green
IFRS 16 Application	Other	↔	×	Low	● Green

↑ 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.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals recorded during the year and after the draft accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness regarding corroborating evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included: • journals created by senior management and self assigned admin users • journals posted on the weekend over performance liability; and • material journals over the year and at year-end. Application of these routines and supplementary procedures identified 66 journals to test. Our audit work has not identified any issues in respect of management override of controls. We did not identify any changes in accounting policies or estimation processes and review of key estimates has not identified any matters to bring to your attention. This is in line with our expectations. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

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. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Knowsley Metropolitan Council, mean that all forms of fraud are seen as unacceptable Although the risk of fraud is rebutted, we recognise the risk of error in revenue recognition, and this is addressed through the responses to risk detailed across	The revenue recognition risks have been rebutted. Despite revenue recognition not being a significant risk, we have undertaken the following procedures to ensure that revenue included within the accounts is materially correct: • evaluated the Council's accounting policy for income and expenditure recognition for appropriateness and compliance with the Code; • updated our understanding of the Council's system for accounting for income and expenditure and evaluating the design of relevant controls; • undertaken detailed substantive testing on the income and expenditure streams in 2024/25, including sample testing of material revenue and expenditure transactions; and • tested a sample of invoices issued and income received in the period prior to and following 31 March 2025 to determine whether income is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.	Our audit plan confirmed that we considered it appropriate to rebut the fraud risk in relation to revenue and this remains appropriate. Whilst revenue recognition was not identified as a significant risk, we have carried out procedures and tested material revenue streams to gain assurance over this area and evaluated that it remained appropriate to rebut the presumed risk of revenue recognition. Our audit work has not identified any instances of fraudulent revenue recognition or inaccurate cut-off of revenue recorded around the year end.

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. Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure. Based on our assessment we consider that we can rebut the significant risk in relation to expenditure.	We have rebutted the risk of fraud in expenditure recognition. We believe that the expenditure risk relates primarily to the completeness of expenditure, therefore we have: • evaluated the Council's accounting policy for expenditure recognition for appropriateness and compliance with the Code; • updated aur understanding of the Council's system for accounting for expenditure and evaluated the design of relevant controls; • undertaken detailed substantive testing on the expenditure streams in 2024-25 including sample testing of material expenditure transactions; • we have also designed and carried out appropriate audit procedures to ascertain the recognition of expenditure is in the correct accounting period using cut-off testing.	Our audit plan confirmed that we considered it appropriate to rebut the fraud risk in relation to expenditure and this remains appropriate. Whilst expenditure recognition was not identified as a significant risk, we have carried out procedures and tested material expenditure streams to gain assurance over this area and evaluated that it remained appropriate to rebut the presumed risk of expenditure recognition. Our audit work has not identified any instances of fraudulent expenditure recognition or inaccurate cut-off of expenditure recorded around the year end.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of Land and Buildings, Surplus assets and Investment Property The risk that valuation of land and buildings, surplus assets and investment properties is misstated. The valuation is an accounting estimate with a high degree of estimation uncertainty and has therefore considered to represent a significant risk in line with ISA 540. The Council re-values its land and buildings on a rolling three-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (Land and Buildings £291m, surplus assets £47.5m and Investment property £93m valuation in the Council's 2023-24 financial statements) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling program is used. Finally, the 2023/24 audit report was modified due to the valuation of Shakespeare North Playhouse and strategic land holdings. The Council commissioned valuations of these assets in readiness for preparation of the 2024/25 accounts. We therefore identified valuation of land and buildings, surplus assets and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • 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 management's valuation experts; • written to them and discussed with the valuers the basis on which the valuations were carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • engaged our own valuer to assess the instructions to the Council's valuers, the Council's valuation reports and the assumptions that underpin the valuations; • evaluated the valuer's reports to identify assets that have large and unusual changes and/or approaches to the valuation – these assets were substantively tested to ensure the valuations are reasonable; • tested a selection of other asset revaluations made during the year to ensure they had been input accurately into the Council's asset register, revaluation reserve and Statement of Comprehensive Income and Expenditure; • reviewed the valuations of Shakespeare North Playhouse and strategic land holdings and engaged our own valuer to ensure these valuations are consistent with the requirements of the Code; • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and • for all assets not formally revalued, evaluated the judgement made by management or others in the determination of current value of these assets.	Our auditor valuation expert provided commentary on the instruction process for the valuation of property assets by the internal valuer and Wilks Head and Eve. It did not involve a detailed review of individual property valuations as this aspect of work was completed by the audit team. The auditor expert identified a number of points to follow up including observations around the clarity of assumptions used by the Council valuers and the extent of investigations carried out. We challenged the Council's external valuer on all issues raised and were satisfied that the extent of investigations was sufficient, and that the assumption used were reasonable and appropriate. We have also challenged the Council's internal valuer on issues relating to the assumptions they have made in specific valuations and we have received satisfactory responses. As part of our overall audit work, we tested 15 Land and Building asset valuations and 11 Investment property asset valuations, including individually large assets or those with unusual movements, as well as a sample across the remainder of the total population of assets. In completing our work, we examined the accounting entries, data and assumptions used, relevant asset indices and considered those assets not revalued. Our testing of land and building valuations identified one asset which was incorrectly classified as an asset held for sale, please see page 37 for further details. We have raised two recommendations on page 41-42 regarding the internal valuer's schedule and report. Continues over the page

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of Land and Buildings, Surplus assets and Investment Property (continued)		Following the modified 2023/24 audit opinion, the Council obtained external valuations for Shakespeare North Playhouse (SNP) and the strategic land sites. We have reviewed these valuations as part of audit work mentioned on the previous page. These adjustments resulted in the Council's draft 2024/25 financial statements including prior period adjustments to take account of the valuations. The adjustments have the effect of reducing the reported net assets of the Council as at 31 March 2024 by £31m, from £461.5m reported in the 2023/24 accounts to £430.2m reported in the draft 2024/25 accounts. The overall £31m reduction in the Council's reported net assets comprises a reduction in the carrying value of the SNP of £9.9m from £35.3m to £25.4m, and a reduction in the value of land reported as being held for sale of £17.3m from £18m to £0.7m, and a further reduction £3.7m in property, plant and equipment. The circumstances giving rise to the lower valuations of these assets also existed as at 1 April 2023, although the Council's draft 2024/25 accounts inappropriately included a balance of £18m within the category of 'assets held for sale'. We have worked closely with officers to reach a position where revised draft accounts were submitted for audit on 22 October which included expected adjustments to the Balance Sheet.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability The Authority's defined benefit pension net liability, as reflected in its balance sheet, represents a significant estimate in the core financial statements. The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The Financial Statements as at the 31 March 2024 shows the Council's pension liability at £25.054m. Regulations state that if the Council identifies a pension asset, this must be measured at the lower of the surplus in the defined benefit plan and the "asset ceiling". An asset ceiling is the limit above which further increases in net pension cease to be recognised for accounting purposes. The pension fund balance is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. 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 (e.g. the discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We therefore identified valuation of the Council's pension fund as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: ▪ updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and 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 Council's IAS 19 valuation; ▪ assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the IAS 19 position; ▪ tested the consistency of the IAS 19 asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; ▪ undertaken 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; ▪ reviewed the IFRIC 14 assessment to obtain assurance over management's calculation of the asset ceiling; and ▪ obtained assurances from the auditor of Merseyside 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.	Our review of the processes and controls in respect of pensions and the instructions issued by management identified no issues, nor did our assessment of the competence, capability and objectivity of the actuary. We also confirmed the accuracy and completeness of the information provided by the Council to estimate the liability. We challenged the actuary's assumptions and used our auditor's expert (PWC) to provide expert input on the assumptions that had been used. Page 28 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability. We have reviewed the IAS19 assurances from the auditor of Merseyside Pension Fund and have not identified any issues. Our audit work has not identified any matters to bring to your attention and we have gained assurance that the IAS 19 pension net liability has been appropriately accounted for and disclosed within the financial statements.

Other risks

Risk identified	Audit procedures performed	Key observations
New accounting standards and reporting developments Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset.	We have: • obtained an understanding of the Council's approach to implementing IFRS 16. This includes understanding the steps taken by the Council to identify and classify leases including peppercorn leases, assess lease terms, and ensure the accounting treatment aligns with the accounting standards; • obtained the Council's calculation and lease data and assess the completeness and accuracy by reviewing the calculation of the lease liabilities and right-of-use assets; • verified the discount rate used and ensuring the calculations are in line IFRS 16 requirements; • reviewed the financial statement disclosure related to leases to ensure this meets the requirements of IFRS 16 such as the nature of leasing activities, key assumptions and judgments made.	The implementation of IFRS 16 has resulted in £4.1m of lease liabilities and £7.5m Right of Use Assets recognised on the balance sheet in respect of former operating leases. The difference of £3.4m between the two values are due to peppercorn leases. In addition, the PFI liabilities are required to be restated on transition to reflect the indexation of unitary payments since the start of the schemes. This has resulted in a £3.2m increase of the opening liability at 1 April 2024. From our work completed, we identified a disclosure error with regards to maturity analysis. This had been disclosed incorrectly based on the discounted amounts instead of undiscounted amounts. This has been adjusted in the final version of the accounts. We have undertaken procedures to confirm completeness of leases identified. This identified some further items for review which management have demonstrated how these contracts and arrangements have been assessed for leases. We identified one leased asset which had been recognised in the balance sheet prior to the implementation of IFRS 16. This resulted in an overstatement of expenditure in 2024/25 of £3.5m which has been included as an unadjusted error.

Other findings

Other areas impacting the audit

Issue	Audit procedures performed	Key observations
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.	We have • completed sample testing on all grants to agree the amount to confirmation and confirm grant conditions have been met; • reviewed the classification for a sample of grants to confirm they are correctly stated in the CIES.	Our sample testing noted the Council had reported the Social Care Grant (£25m) and Market Sustainability and Improvement Fund (£4m) as taxation and non-specific grant income within the CIES. However, these grants are specific and have to be spent on social care and therefore they should be credited to services. The Council have reviewed all grants originally reported as general grants and identified a further 2 grants which are ring fenced. In total grant income of £33m in 2024/25 and £24m in 2023/24 has been adjusted from non-specific grants to be credited to services.

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue and Expenditure recognition	Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular: revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract; supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet; expenses in relation to services received (including services supplied by employees) are recorded as expenditure when the services are received rather than when payments are made; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.	Our work on income has not highlighted any inconsistencies between the Council's accounting policy and its application during 2024/25. The Council's accounting policy is appropriate.	● 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 – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Valuation methods	Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every three years. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment measured at current value is revalued at least every three years. Valuations are carried out internally and externally with an effective date of 31 March. Valuations of land and building are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.	Our work to date on reviewing the valuation methods has not highlighted any inconsistencies between the Council's accounting policy and its application during 2024/25. Our work on assets not valued in year remains to be finalised. The Council's accounting policy has been amended to correctly show the assets which are externally valued. The accounting policy is appropriate.	● Green
Post-employment benefits	Employees of the Authority are members of the following pension schemes: The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The NHS Pension Scheme, administered by NHS Pensions. The Local Government Pensions Scheme, administered by Wirral Metropolitan Borough Council as the Merseyside Pension Fund. These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Health and Social Care Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year. Both the Teachers' Pension Scheme and NHS Pension Scheme are treated as defined contribution schemes.	Our work on review of the post-employment benefits has not highlighted any inconsistencies between the Council's accounting policy and its application during 2024/25. The Council's accounting policy is appropriate.	● 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, surplus assets £ 307.9m at 31 March 2025	Other land and buildings revalued in year comprises £99.9m of specialised assets, which are required to be valued at DRC at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings revalued in year that are not specialised in nature and are required to be valued at EUV (£19m) at year end. The Council has engaged an internal valuer and Wilks Head and Eve LLP to complete the valuation of properties as at 31 March 2025 on a three yearly cyclical basis. 48% of land and buildings / surplus assets were revalued during 2024/25 Management also review conditions that may impact non-valued assets, such as enhancements and obsolescence, and request for additional properties to be revalued if required. The Council has included disclosures in relation to estimation uncertainty at Note 4. The total year end valuation of other land and buildings and surplus assets was £307.9m.	The Council's accounting policy on valuation of land and buildings is included in the Accounting Policies note starting on page 39 of the financial statements. Key observations: We assessed the qualifications, skills and experience of both the internal and external valuer and determined the service to be appropriate. The underlying information and sensitivities used to determine the estimate was complete and accurate. The valuers have prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We consider the level of disclosure in the financial statements to be appropriate. We are satisfied the estimate of the land and buildings valuation is not materially misstated.	Amber We consider the estimate is unlikely to be materially misstated

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of investment property £100.97m Net carrying value at 31 March 2025	The Council has engaged Wilks Head and Eve and an internal valuer to complete the annual valuation of investment properties held at fair value as at 31 March 2025. The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date). The total year end valuation of investment property was £100.97m, a net increase of £7.969m from 2023/24 (£93.01m).	We have no concerns over the competence, capabilities and objectivity of the external valuation expert used by the Council. The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including within which were the assumptions that were going to be applied to this work. The valuer completed a full valuation of the investment portfolio as at 31 March 2025 except for those which are peppercorn rents which are typically nominally valued at £1. These assets are reviewed and considered annually by the Council's internal estates team in accordance to IAS40 and represent 1% of the balance.	Amber We consider the estimate is unlikely to be materially misstated

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability £21.77m as at 31 March 2025 IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan.	The Council's net pension liability as at 31 March 2025 is £21.77m (PY £25m) comprising the Merseyside Local Government Pension Scheme and Teachers Pension Scheme benefit obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2023. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The net pension liability has decreased by £3.3m during 2024/25.	See below	Green

Auditor commentary:

In understanding how management has calculated the estimate of the net pension liability we have:

- assessed the use of management's expert
- assessed the actuary's approach taken, and confirmed the reasonableness of their approach

We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council.

We have used the work of PwC as auditor's expert, to assess the actuary and assumptions made by the actuary. See below considerations of key assumptions in the pension fund valuation:

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.80%	5.70% - 5.90%	Reasonable
Pension increase rate	2.70%	2.60% - 2.70%	Reasonable
Salary growth	4.10%	3.1% to 5.1%	Reasonable
Life expectancy – Males currently aged 45/65	22.1 20.8	21.1 – 23.2 20.8 – 22.0	Reasonable
Life expectancy – Females currently aged 45/65	25.2 23.5	25.2 – 26.1 23.5 – 24.3	Reasonable

We have examined the completeness of accuracy of the underlying information used to determine the estimate, including liaison with the auditor of Merseyside Pension Fund.

We have assessed the adequacy of disclosure of estimate in the financial statements.

We have not identified any changes to the valuation method.

From the work completed we are satisfied with the reasonableness of the estimate and disclosures of the estimate in the financial statements.

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	Overall ITGC rating	ITGC control area rating: Security management	ITGC control area rating: Technology acquisition, development and maintenance	ITGC control area rating: Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle Fusion	ITGC assessment (design, implementation and operating effectiveness)	● Red	● Red	● Green	● Black	Management override of controls	Our work on IT identified one significant recommendation in relation to inadequate controls over privileged individual accounts. We have included specific routines within our focussed testing of journal entries to identify journals that would indicate specific risks from the control deficiency identified. We raised a recommendation as shown on page 41. We note that the Council completed work to address this recommendation towards the end of the 2024/25 financial year. Our testing has not identified any concerns arising from the security management risks noted.
CiPFA Asset Manager	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	PPE and IP revaluations	N/A

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

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 and Governance Committee and we have not been made aware of any incidents in the period and no issues have been 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	You have not made use aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is set out at Appendix D.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. All responses have been received confirming the balances outstanding.
Disclosures	The Council improved their disclosure in relation to the prior period adjustment and have made amendments for the classification of some grant. Our review found no other material omissions in the financial statements.
Audit evidence and explanations	All information and explanations requested from management was provided.

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. 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 and Narrative Report), 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 – refer to Appendix E.
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 significant weaknesses. 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 intend to delay the certification of the closure of the 2024/25 audit of Knowsley Metropolitan Borough Council in the audit report, as detailed in Appendix H, due to not having received confirmation from the NAO that the group audit (Whole of Government Accounts) has been certified by the C&AG.

Audit adjustments

Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

2024/25 Statements Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Four grants were classified as general grants; however, these were specific as such they should be included within Cost of Services	Health and Social Care Gross Income Cr 32,113 Children's Services Gross Income Cr 989 Taxation and non-specific grant income Dr 33,102	Nil	Nil	Nil
Overall impact	0	0	0	0

2023/24 Statements Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Four grants were classified as general grants; however, these were specific as such they should be included within Cost of Services	Health and Social Care Gross Income Cr 23,273 Children's Services Gross Income Cr 1,198 Taxation and non-specific grant income Dr 24,471	Nil	Nil	Nil
Overall impact	0	0	0	0

Audit adjustments (continued)

Impact of adjusted misstatements (continued)

01/04/2023 Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
The draft accounts were adjusted to correctly show the prior period adjustment	Nil	Assets Held for Sale Cr 17,965 Property Plant and Equipment Dr 3,191 Unusable Reserves Dr 14,774	Nil	Nil
Overall impact	0	0	0	0

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 1 Accounting policy 21 Property, plant and equipment	The policy was updated to confirm assets are valued by both the internal and external valuer.	✓
Note 6 Prior Period Adjustment	This note was added to provide details of the prior period adjustment in relation to Shakespeare North Playhouse and Strategic Land.	✓
Note 12 Taxation and non- specific Grant Income	This note has been amended to remove the ring-fenced grants in both the current year and prior year.	✓
Note 13 Property, Plant and Equipment	Property, plant and equipment note has been amended to correctly show the prior period adjustment as has the property, plant and equipment revaluations note.	✓
Note 22 Assets held for sale	The opening balance has been adjusted to remove the strategic land following the prior period adjustment	✓
Note 33 Senior Officers Remuneration	Note 6 of the senior officer remuneration note was updated to correct the year the individual started. The officer remuneration note was updated as 1 individual was included in the £125,001-£130,000 and should be in the £130,001-£135,000.	✓
Note 34 External Audit Costs	The note has been amended to reflect the additional fee for 2023/24 and also to include the external assurance fee relating to the Council's teachers' pensions returns.	
Note 36 Grant income	Four ring-fenced grants have been removed from the non-specific grant note and an explanation has been added. These grants have been included in the Grants income credited to services table and a narrative added. This adjustment has been completed for both the current and prior year.	✓
Note 38 Capital expenditure and financing	Note has been adjusted to show the adjustment on transition to IFRS 16.	
Note 39 Leases	The note was disclosed on discounted amounts but should include undiscounted payments over the maturity profile. Council as a lessor note was added	✓
Note 43 Defined Benefit Pension Scheme	Movement in the value of scheme assets – the benefits/transfers paid was incorrectly stated at £42,030k and has been amended to £43,030k LGPS Pension scheme assets subtotal for Bonds was incorrectly stated and has been amended from £49,269k to £48,269k.	✓
Note 46 Contingent Liabilities	Additional disclosure has been added with regards to potential equal pay claims.	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓

Unadjusted misstatements

Impact of unadjusted misstatements in the current year

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Governance and 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
East Hub Asset classified as Asset Held For Sale incorrectly. The asset is currently under bid for lease, not for purchase, and should therefore still be classified as Surplus rather than AHFS.	Nil	PPE Dr 745 AHFS Cr 745	Nil	Nil
The creditors balance included an item relating to treasury management payment incorrectly included when it had been paid before year end.	Nil	Short Term Creditors Dr 1,485 Cash & cash equivalents Cr 1,485	Nil	Nil
Our work on IFRS 16 identified a leased asset (Altbridge secondary support centre) was on the Council's balance sheet prior to the implementation of IFRS 16.	Deficit on the revaluation of PPE 3,500	Nil	3,500	Nil
Overall impact of current year unadjusted misstatements	3,500	0	3,500	0

Impact of unadjusted misstatements in the prior year

Our work on IFRS 16 identified one leased asset, Altbridge secondary support centre, was incorrectly included on the balance sheet prior to the implementation of IFRS 16. The asset has been correctly included under Right of use asset balance in 2024/25, however the PPE opening balances were overstated by £5.2m and the revaluation reserve opening balance were overstated by £1.7m.

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 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	Reason for not adjusting
Operating expenditure per note 6c – this is a difference between financial statement and transaction listing	0	0	(427)	427	Amount is not material
PPE revaluations – sample 6 – overstatement of valuation	667	(667)	0	0	Amount is not material
Overall impact of prior year unadjusted misstatements	667	(667)	(427)	427	
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	667	(667)	3,073	427	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.

Assessment	Issue and risk	Recommendations
● High	**Inadequate control over privileged individual accounts within Oracle** Administrative access to Oracle Fusion has been granted to ten users who should have not been given privileged access. However, It was noted that based on our PY recommendations Knowsley has implemented a new custom-built role (KMBC Collections Manager) that went live on the 12 March 2025 which does not have the same level of privileges access. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.	These recommendations have been addressed by the Council in March 2025 following the 2023/24 Audit Findings Report. However, as the controls were not in place for the full year it has been reported here. The Council have included controls to address these risks. We have considered the impact on our financial statement audit through our work on management override of controls and have not identified any issues to report.
● Medium	**Inadequate control over self-assigning roles in Oracle Cloud by privileged users** In Oracle Fusion, users with privileged permissions can self-assign roles. We identified that the Oracle Admin team can self assign roles to themselves. Through further analysis, we identified that one unique user had self-assigned one role during the audit period. However, It was noted that based on our PY recommendations Knowsley MBC has implemented a control in October 2024 where if any user assign a role to themselves an email notification goes to the line manager of the user.	
● Medium	**No monitoring of privileged user activity in Oracle Fusion** We noted that management had neither designed nor implemented the logging and monitoring controls during the audit period .	Management response Agreed. The Head of Finance will work with Namos solutions to turn on auditing at the user level for those employees with privileged accounts. The audit activity report will be monitored and challenged by someone independent outside the Oracle Team.

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
Medium	**Quality review of accounts** Although the draft 2024/25 accounts were received by the deadline, material adjustments were required in respect of the prior period adjustment relating to misreported 'Assets held for sale'. Audit ('backstop') deadlines will move forward to 31 January 2027 for 2025/26 accounts and 30 November 2027 for 2026/27 accounts, reducing the time to address material misstatements within draft accounts. The Council should ensure draft accounts have been subject to a robust quality review process by senior management prior to submission for audit.	The Council should put in place a more robust accounts review process, independent of those directly involved in the detailed preparation of the accounts. **Management response** The Council will explore scope to enhance the review arrangements further. The current review processes include the Head of Finance and the Executive Director (Resources) but are inevitably led by the Council's lead technical expert. The specific adjustments relating to the prior period adjustment were highly technical, and the Council considers that these arose from specific circumstances rather than a general weakness in the Council's approach. These circumstances have been addressed. Other than this, the audit report identifies no significant concerns with the 2024/25 Accounts, and the vast majority of the required technical and accounting requirements have been properly treated. The Council considers that this demonstrates the effectiveness of the Council's processes and provides assurance to Members regarding the overall quality of the Accounts.
Medium	**Internal Valuers' schedule** We have noted that the valuer schedule of valuations indicates the method of valuation for all the assets, however this is not consistent in all cases with the prior valuations, or with the valuation certificates for the assets confirming the valuation method used. There is a risk that assets are revalued using an incorrect valuation method. This recommendation was also raised in 2023/24.	Management should track the valuation methods applied and ensure that the appropriate valuation method is used for each type of asset valued. If valuation methods change from prior valuations, management needs to understand the reasoning for such changes and be able to support decisions reached with sufficient evidence. **Management response** Previous asset valuations will be reviewed to ensure a consistent valuation approach is used. Where valuation methods differ reasoning will be provided.

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
Medium	**Internal Valuers' report** One of the Council's investment properties, valued by the internal valuer, was valued using a basis of £7k per unit irrespective of the size of the unit and with little comparable evidence or rationale to support this valuation approach. The Council should also consider inspections of assets being revalued in the year in line with RICS requirements.	Valuations should be supported with appropriate evidence taking into account the size of the property. **Management response** Generic value based on evidence available for transactions for 999 year leases, which are not common to come to the market have been used. Officers will review comparable evidence annually and provide an approach based on leases below 10 acres and sites above 10 acres that helps distinguish between site sizes.
Low	**Related Party Transactions** Two senior officers, did not declare their interest in Volair Ltd on the form we reviewed. These specific interests ended in May 25.	Officers should be reminded of the requirement to make all disclosures and a copy of the online register to be maintained. **Management response** Officers are reminded twice each year about the need to make a full disclosure. All disclosures are made online and retained electronically.
Low	**Reconciliation** Our work on the Council's bank reconciliation identified a number of long-standing reconciling items, dating back to July 2015. Although these were trivial these should be reviewed and appropriately addressed. Our work on accounts payable also identified a trivial discrepancy which has been carried forward from previous years. This recommendation was also raised in 2023/24.	We recommend that reconciling items should be resolved promptly following the identification of the item. **Management response** These items are very low value and classed as "trivial". These will be resolved as soon as capacity and higher priority work permits.
Low	**Infrastructure Asset** Our work on the useful economic lives identified the council had fully depreciated staff costs in the year the occurred. However, these should be capitalised to the asset they relate to and depreciated over the assets' useful lives.	We recommend staff costs are allocated to the asset they relate to and capitalised over the life of that asset. **Management response** The Council will review its approach to the treatment of staff costs related to infrastructure assets.

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 17 recommendations being reported in our 2023/24 Audit Findings Report. Management have implemented a number of our recommendations and the remaining have been raised in the action plan.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**IT general controls - Inadequate control over privileged individual accounts within Oracle** Administrative access to Oracle Fusion has been granted to twelve users who are not the members of IT/Systems team and perform business processes/financial reporting	A revised recommendation has been agreed with Management see the Audit Progress and Sector Update Report for further details.
X	**IT General Controls - Inadequate control over self-assigning roles in Oracle Cloud by privileged users** In Oracle Fusion, users with privileged permissions can self assign roles. We identified that the whole Oracle Admin team can assign roles to themselves. Through further analysis, we identified that seven unique users had self-assigned a total of 43 roles during the audit period. There were no approvals for any of the self- assigned roles Users who self-assign roles without formally documented approvals from the line manager or equivalent, creates a risk of inappropriate access within the application or underlying database resulting in segregation of duties conflicts.	A revised recommendation has been agreed with Management see the Audit Progress and Sector Update Report for further details.
✓	Inappropriate segregation of duties as developers have access to the production environment We identified that there is no formal authorisation of changes prior to implementation in the production environment. The combination of access to develop and implement those changes in the production environment creates a risk that inappropriate or unauthorised changes are made to data and/ or programs.	The finding was remediated
✓	Valuation of Shakespeare North Theatre and strategic land holdings The Council was unable to provide appropriate valuations for two significant assets, giving rise to significant risk of material misstatement of the Balance Sheet.	External valuations were received for both the Shakespeare North Playhouse and the Strategic Land Sites, and prior period adjustments have been processed through the accounts.
X	No monitoring of privileged user activity in Oracle Fusion We noted that though the audit logging were not enabled for any tables, no audit logs were available for the whole audit period. Further, we noted that there were no other monitoring controls in place. Risks Without appropriate audit logging and monitoring, inappropriate and anomalous activity may not be detected and resolved in a timely manner. Additionally, unauthorised system configuration and data changes made using privileged accounts will not be detected by management.	A revised recommendation has been agreed with Management see the Audit Progress and Sector Update Report for further details.

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
✓	**Oracle Quarterly Patches tests scripts are to be reviewed prior to implementation into the production environment by Oracle.** We noted that quarterly patches tests scripts had not been not been reviewed after testing is completed and before promoting the change into the live environment. Risks. Failure to adequately review the quarterly patches test scripts prior to releasing the patches into the production environment could lead to a loss of data integrity, processing integrity and/or system down-time.	Quarterly test scripts are now reviewed by the Oracle Team.
✓	**Payroll Functionality Testing** Functionality testing of the new system was not completed before implementation and this was on going during change over. This led to errors that affected payroll, particularly involving sickness pay, statutory maternity pay and paternity pay. At year end this has led to ongoing reconciliation issues which the Council are currently investigating.	Payroll system functionality has been reviewed and any outstanding issues have been identified and are being resolved. Future such implementations will require complete UAT sign off before proceeding to go-live.
X	**Internal Valuers' schedule** We have noted that the valuer schedule of valuations indicates the method of valuation for all the assets, however this is not consistent in all cases with the prior valuations, or with the valuation certificates for the assets confirming the valuation method used. There is a risk that assets are revalued using an incorrect valuation method.	This is currently under review and will be implemented during the 2025/26 revaluation programme
✓	**Internal Valuers' report** Through our audit work over the internal valuation expert appointed by management to perform the revaluations work on PPE and IP, we confirmed that the internal valuer does not prepare an overall valuation report to management for the valuations undertaken as stated in the written terms of engagement. We also confirmed that a valuation certificate was not prepared for all assets revalued.	Valuation certificates have now been produced for all assets revalued.
✓	**Internal valuation reports** Our testing of asset valuation certificates for individual assets noted that for the depreciated replacement cost assets the assumptions regarding MEA applied by the valuer were not stated.	MEA assumptions have now been included within the reports.
✓	**Assets Under Construction** Shakespeare North Playhouse was transferred from 'Assets Under Construction' to 'Land and Buildings' in June 2022 when it become operational. Operational Land & Buildings are required by the Code to be valued with sufficient frequency to ensure the material accuracy of asset balances. The Council has not valued this asset as at either 31 March 2023 or 31 March 2024 and it continues to be reported at accumulated cost.	The Councils AUC balance is no longer material.

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
✓	**Infrastructure Assets** We have noted that the useful economic lives adopted by management are in general longer than the CIPFA's guidelines, indicating possible understatement of depreciation for infrastructure assets and thereby overstating the closing NBV.	Useful Economic Lives have now been amended to reflect the CIPFA guidance.
✓	**Leases** Management have not included any leases disclosure as required by the Code. Lease expense payments have been included in the CIES.	Lease arrangements have been reviewed with the implementation of IFRS16
✓	**Trust funds** The Council's cash balance includes Trust funds of £882k which should not be included.	The Trust Fund balance has been removed from cash balances on the balance sheet in the 2024/25 accounts
X	**Reconciliation** Our work on the Council's bank reconciliation identified a number of long-standing reconciling items, dating back to July 2015. Although these were trivial these should be reviewed and appropriately addressed. Our work on accounts payable also identified a trivial discrepancy which has been carried forward from previous years.	A similar recommendation has been made in the current year.
✓	**Related Party Transactions** We noted a number of related party transactions which did not require disclosure under the requirements of the Code. This is important so that material disclosures are not obscured by unnecessary disclosures.	The disclosure has been reviewed and is appropriate.
✓	**Non-Domestic Rates billing** Our testing identified a long delay in the valuation office returning a ratable value for a significant property in the Borough.	No incidents were identified in the current year

Assessment

✓ Action completed

X Not yet addressed

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 the December 2025 meeting of the Governance and Audit Committee.

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 two significant weaknesses in arrangements. Our Auditor's Annual Report includes further details.

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, we disclose the following to you:

Matter	Threats	Safeguards	Conclusion
An associate employed by us in the Liverpool office within the Public Sector audit team is the son of the Council's former Revenues and Benefits Manager.	Self Review	The associate: • will not work on the Knowsley MBC audit; • will have no access to the audit file for the Council; • members of the audit team will not discuss any matters relating to the audit of the Council with the associate.	We have concluded that our independence is not compromised due to the safeguards in place. We have agreed these with our Ethics department and Public Sector Audit Appointments Limited.
A senior manager within the firm's Financial Reporting Technical Team has taken up the role as Treasurer with the Knowsley Flower Show Committee, from 19/11/2025.	Self Interest	The senior manager: • will not be involved with any consultations in respect of the Council • will have no access to our audit file for the Council • will have no involvement with the Council's audit and members of the Council's audit team will not be permitted to discuss the Council's audit with them.	We have concluded that our independence is not compromised due to the safeguards in place. We have agreed these with our Ethics department and Public Sector Audit Appointments Limited.

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.

Non-audit fees

A schedule of our fees and non-audit services is set out further in this report, including an assessment of any perceived or actual threats to our independence and, where relevant, safeguards applied.

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 Authority or group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or group or investments in the group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority or group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
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 Authority, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence 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

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

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

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

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

Audit fees	£
Audit of Authority	£353,433
Total	£353,433

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Teachers 'Pension Return Both these years are included in 2024/25 Statement of Accounts	12,500	12,500	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit service) Management threat	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 £12,500 in comparison to the total fee for the audit of £327,433 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.
Total	12,500	12,500		

Fees and non-audit services

Total audit and non-audit fee

Audit fee – PSAA Scale Fee	£327,433	Non-audit fee (for grant certification work)	
IFRS 16	£7,500	Teachers Pension Return 2023/24	£12,500
Housing Benefits Testing	£8,000	Teachers Pension Return 2024/25	£12,500
Review of the prior period adjustments	£3,500	**Total**	**£25,000**
Work completed on the objection	£7,000		
Total	**£353,433**		
Total audit and non audit fee £378,433			

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- fees per financial statements £372,028
- additional fee in respect of 2023/24 (£36,595)
- Additional fees to be agreed * £18,000

total fees per above £353,433

* Additional fee is subject to PSAA approval

The fees reconcile to the financial statements as follows:

- Non audit fees per financial statements £38,000
- HBAP audit fee not audited by Grant Thornton (£13,000)

Total fees per above £25,000

HBAP claim certification is an estimated fee. Grant Thornton have not been engaged yet to provide this service.

This covers all services provided by us and our network to the 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	●	
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.

B. Our team and communications

Grant Thornton core team

John Farrar
Engagement Lead

- Key contact for senior management and Governance Audit Committee
- Overall quality assurance

Sophia Iqbal
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Hanna Persula
Ulika Balliall
Audit Senior

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of valuation specialists and other technical specialists to support our IT audit work and digital tools.

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

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

C. Logistics

The audit timeline

Key Dates

Year end: 31 March 2025

Governance and Audit Committee: 26 January 2026

Target Sign off: 30 January 2026

Audit phases:

Planning
w/c February 2025

Key elements
- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Governance and Audit Committee
- Issue the Audit Plan to management and Governance and Audit Committee
- Planning meeting with Governance and Audit Committee to discuss the Audit Plan
- Document design and implementation effectiveness of systems and processes
- Review of key judgements and estimates
- Issue audit progress and sector update reports to management and the Governance and Audit Committee

Final –
August - December

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

Completion

Key elements
- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Governance and Audit Committee
- Audit Findings presentation to Governance and Audit Committee
- Finalise and sign financial statements and audit report

D. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report.

[Prepare on client letterhead**]**

Grant Thornton UK LLP

Royal Liver Building
Liverpool
L3 1PS

[Click here and enter date of letter**]**

Dear Grant Thornton UK LLP

Knowsley Metropolitan Borough Council
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Knowsley Metropolitan Borough Council ("the Authority") for the year ended **31 March 2025** for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and buildings, investment property and defined benefit pension liability valuations. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

D. Management letter of representation continued

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a) there are no unrecorded liabilities, actual or contingent;

b) none of the assets of the Authority has been assigned, pledged or mortgaged; and

c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. The prior period adjustments disclosed in note 6 and note 36 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a) the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;

b) the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and

c) the Authority's system of internal control has not identified any events or conditions relevant to going concern.

xv. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

xvi. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

D. Management letter of representation continued

Information Provided

xvi. We have provided you with:

a) access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;

b) additional information that you have requested from us for the purpose of your audit; and

c) access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Governance and Audit Committee at its meeting on 26 January 2026

Yours faithfully

Name................................

Position..............................

Date................................. **Signed on behalf of the Authority**

E. Draft Audit opinion

Independent auditor's report to the members of Knowsley Metropolitan Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Knowsley Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2025 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Executive Director (Resources) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director (Resources) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Executive Director (Resources) with respect to going concern are described in the relevant sections of this report.

E. Audit opinion continued

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

E. Audit opinion continued

Responsibilities of the Authority and the Executive Director (Resources)

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director (Resources). The Executive Director (Resources) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director (Resources) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director (Resources) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, the Local Government Act 2003, Local Government Act 1972 and Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).
- We enquired of management and the governance and audit committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the governance and audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

E. Audit opinion continued

- Manual material journals across the year and at year end and journals posted by the users with Admin Access to the system.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material manual journals, post year-end journals, journals around the year-end, and journals over performance materiality posted on the weekend;;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pension liability valuations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including significant accounting estimates. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

E. Audit opinion continued

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in respect of the above matter except on the 10 February 2025 we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. In November 2024, Ofsted undertook a focused inspection of the Authority's children's services and identified serious and widespread weaknesses. The findings from Ofsted's work indicate weaknesses in the Authority's arrangements existed in 2023/24.

We recommend the Authority should develop and deliver their Children's Services improvement plan to address the significant weakness identified by the November 2024 Ofsted inspection. The Authority has implemented solid foundations to support improvement but delivering the scale of required improvement will require a multi-year programme. Therefore, the significant weakness in arrangements remains in place for the year ended 31 March 2025.

In addition, on the 8 December 2025 we identified a new significant weakness in how the Authority's plans and manages its resources to ensure it can continue to deliver its services. This was in relation to the Authority's growing deficit on the Dedicated Schools Grant and significant cumulative deficit forecast at March 2026. We recommend the Authority mitigating the forecast overspend for 2025/26 in order to protect reserves.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

E. Audit opinion continued

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

We cannot formally conclude the audit and issue an audit certificate for Knowsley Metropolitan Borough Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature**]**

John Farrar, Key Audit Partner

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

Liverpool

[Date**]**

Grant Thornton