Audit Findings for Solihull Metropolitan Borough Council

Year ended 31 March 2026

8 September 2026

Solihull Metropolitan Borough Council

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September 2026

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Dear Members of the Audit Committee

Audit Findings for Solihull Metropolitan Borough Council for the year ending 31 March 2026

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

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

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

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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-2025-.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.

Avtar Sohal

Director

For Grant Thornton UK LLP

Chartered Accountants

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Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Solihull Metropolitan Borough Council (the 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2026 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 group and Authority's financial statements:

- give a true and fair view of the financial position of the group and Authority and the group and Authority's income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report) is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during June to September. Our findings are summarised on pages 13 to 25. We identified 2 adjustments to the financial statements, relating to asset valuations, increasing Property, Plant and Equipment by £23.126m and long-term investments by £2.5m resulting in a £25.626 million adjustment to the Authority's Comprehensive Income and Expenditure Statement, management has subsequently amended the financial statements to reflect these adjustments. These have no impact on the level of the Authority's usable reserves. Details of audit adjustments are provided on page 31 and 32.

We have also raised recommendations for management, set out on pages 36 to 38 and reported our follow up of prior year recommendation on pages 39 and 40.

Our audit work is now 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. We have completed our review of the final set of financial statements and other information to be published with the accounts.

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 the Authority and with the audited financial statements.

Our anticipated financial statements audit report opinion will be unqualified.

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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:

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

We have completed our VFM work. Detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. 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. Our findings are set out in the value for money arrangements section of this report page 41.

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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
- certify the closure of the audit.

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

We have completed the majority of our 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 the following matter is resolved:

- confirmation has been received from the NAO that the group audit for 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 2026.

Significant matters

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

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Group audit

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

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Responsible Individual	Status	Comments
Solihull MBC	Yes	Scope 1	Scope 1	Grant Thornton UK	A Sohal	G	Planned procedures are substantially complete with no significant issues outstanding. This was a full scope. This involved the audit of the entire financial information of the component using component materiality
Solihull Community Housing	No	Scope 2	Scope 2	Bishop Flemming	M Khan	G	Planned procedures are substantially complete with no significant issues outstanding. This involved audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements. We performed specified audit procedures over cash and cash equivalents, as well as other expenditure, and did not rely on the work of Bishop Fleming.

Key

Scope 1	Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)
Scope 2	Specific audit procedures designed by the group auditor (specific scope)
Scope 3	Specific audit procedures designed by a component auditor (specific scope)
Out of scope	Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.
G	Planned procedures are substantially complete with no significant issues outstanding.
A	Planned procedures are ongoing/subject to review with no known significant issues.
R	Planned procedures are incomplete and/or significant issues have been identified that require resolution.

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Group audit (continued)

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Responsible Individual	Status	Comments
Coventry & Solihull Waste Disposal Company	No	Scope 3	Scope 3	Ernst and Young (EY)	L McNeil (KAP)	G	Planned procedures are substantially complete with no significant issues outstanding. This involved specified audit procedures relating to risks of material misstatement of the group financial statements
Urban Growth Company and Solihull Energy	No	Out of scope	Out of scope	LDP Luckmans	I Riley	G	Planned procedures are substantially complete with no significant issues outstanding. This involved analytical procedures at group level
Mell Square Limited	No	Scope 2	Scope 2	Prime Accountants	S. Bach	G	Planned procedures are substantially complete with no significant issues outstanding. This involved specified audit procedures relating to risks of material misstatement of the group financial statements
Solihull Energy Limited	No	Out of scope	Out of scope	LDP Luckmans	K Goddard	G	Planned procedures are substantially complete with no significant issues outstanding. This involved analytical procedures at group level

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Involvement in the work of component auditors

Scope	Component auditors involved	Summary of involvement	Changes compared to planned involvement
Scope 3	Ernst & Young (EY)	The Group Engagement Lead directed, supervised and reviewed the work of component auditors, including communicating identified risks and providing guidance on the nature, timing and extent of audit procedures. Two-way communication was maintained with component auditors throughout the audit, to discuss risks, findings and progress as appropriate. Review of component auditors' audit documentation and underlying working papers in respect of significant risk areas was undertaken through file sharing.	No changes since issue of the audit plan.
Scope 2	Prime Accountants	The Group Engagement Lead directed, supervised and reviewed the work of component auditors, including communicating identified risks and providing guidance on the nature, timing and extent of audit procedures. Two-way communication was maintained with component auditors throughout the audit, to discuss risks, findings and progress as appropriate. Review of component auditors' audit documentation and underlying working papers in respect of significant risk areas was undertaken through file sharing.	No changes since issue of the audit plan.

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Our approach to materiality

As communicated in our Audit Plan dated 2 March 2026, we determined materiality at the planning stage as £15.27m and group materiality as £16.075 million based on 2.5% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements. We have decided not to change materiality as the increase in expenditure was not material.

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

Basis for our determination of materiality

We have determined materiality at £15.27 million and group materiality at £16.075 million based on professional judgement in the context of our knowledge of the Authority and the group.

We have used 2.5% of gross expenditure as the basis for determining materiality.

This benchmark is determined as a percentage of the Council's group gross expenditure in the prior year (£643.119m), which has been amended to 2.5% (2% in the prior year). This is due to no material adjustments in prior year and a strong control environment.

Performance materiality

We have determined performance materiality at £11.45 million and group performance materiality at £12.056 million, based on 75% of headline materiality.

Specific materiality

We deem senior officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality on the remuneration disclosure. We calculated a materiality based on 2% of the total in the senior officers' remuneration note. We applied a performance materiality level of 75% of this and then applied this to individual lines within the senior officers' disclosure and not the banding table

Reporting threshold

We have reported to you all misstatements identified in excess of £760,000 in addition to any matters considered to be qualitatively material.

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Our approach to materiality

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

	Group (£)	Authority (£)	Qualitative factors considered
Materiality for the financial statements	16.075m	15.27m	This benchmark is determined as a percentage of the Council's group gross expenditure in the prior year (£643m), which has been amended to 2.5% (2% in the prior year). The benchmark for the Council's materiality is determined as a percentage of the Group's materiality benchmark (£15.27m) using 95% as a baseline
Performance materiality	12.056m	11.45m	This is due to a strong control environment.
Specific materiality for senior officer remuneration	35,102	35,102	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £0.035m.
Reporting threshold	800,000	760,000	We have used 5% of materiality level as our threshold for reporting issues.

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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	G
The revenue cycle includes fraudulent transactions	Significant	↔	Rebutted	N/A	G
The expenditure cycle includes fraudulent transactions	Significant	↔	Rebutted	N/A	G
Valuation of Land and Buildings and First time Indexation	Significant	↔	×	High	R
Valuation of Council Dwellings	Significant	↔	×	High	G
Valuation of the Gross Pension liability	Significant	↔	×	High	A
Exceptional Financial Support	Other	↔	×	Low	G
Valuation of Investment Properties	Other	↔	×	High	G
Completeness, Existence and Accuracy of Cash and Cash Equivalents	Other	↔	×	Low	G
Mutual Early Resignation Scheme	Other	↔	×	Low	G

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

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

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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 therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	To address this risk we: • evaluated the design and implementation of management controls over journals; • analysed the journal population and determined criteria for selecting high-risk and unusual journals for testing; • tested a sample of unusual journal entries recorded during the year and after the draft accounts stage, assessing their appropriateness and obtaining corroborative supporting evidence; • gained an understanding of the key accounting estimates and critical judgements applied by management and assessed their reasonableness with reference to available supporting evidence; • evaluated the rationale for any significant changes in accounting policies, accounting estimates, or other unusual transactions identified during the audit.	Our work in this area is complete. We have not identified significant issues in respect of management override of controls. We have noted no material adjustments or findings in relation to override of controls. 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. Within our testing we did identify 3 control recommendations relating to the approval of journals, the timely removal of system access for leavers, and the use of blank user IDs for automated journals. In our action plan we raise these recommendations. (see pages 36 to 38)

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Significant risks

Risk identified	Audit procedures performed	Key observations
The revenue cycle includes fraudulent transactions 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 ISA240 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 – opportunities to manipulate revenue recognition are very limited – the culture and ethical frameworks of local authorities, including this Council mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for the Council.	To address this risk we: • evaluated the Council's accounting policies for income recognition and considered whether they were appropriate and compliant with the Code; • updated our understanding of the systems and processes for accounting for income and evaluated the design and implementation of relevant controls; • agreed a sample of income transactions and year-end receivables to supporting invoices, cash receipts and other relevant evidence; • tested a sample of invoices issued before and after 31 March 2026 to assess whether income had been recognised in the correct accounting period and in accordance with the amounts billed to the relevant parties; • considered the Council's arrangements for accounting for Council Tax and National Non-Domestic Rates and determined that substantive analytical procedures were appropriate in these areas; and • tested a sample of grant income transactions to supporting documentation and subsequent receipts, and assessed the appropriateness of the accounting treatment applied where relevant.	Our work in this area is complete. We have not identified any issues in respect of revenue recognition. We identified a typographical error in the grant income note which has been adjusted by the Council. We are also satisfied that it is still appropriate to rebut this risk.

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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. We have rebutted this risk for the Council because: – expenditure is primarily related to employee costs – lack of incentive to manipulate financial results, coupled with an overall strong control environment. We therefore do not consider this to be a significant risk for the Council.	To address this risk, we: • evaluated the Council's accounting policies for expenditure recognition and considered whether they were appropriate and compliant with the Code; • updated our understanding of the systems and processes for accounting for expenditure and evaluated the design and implementation of relevant controls; • agreed a sample of expenditure transactions, year-end payables and accruals to invoices and other supporting evidence; • tested a sample of invoices received before and after 31 March 2026 to assess whether expenditure had been recognised in the correct accounting period and in accordance with the amounts billed by the relevant suppliers; and • maintained our rebuttal assessment throughout the audit and considered whether any audit findings identified evidence of expenditure being manipulated or recognised in an inappropriate accounting period.	Our work in this area is complete. We have not identified any issues in respect of Expenditure recognition.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of Land and Buildings and First time Indexation (£484.348m) The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of other land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement. The (25/26) code now requires indexation in the intervening years between revaluations. The Council will be adopting this for the first time, and applying indexation to property plant and equipment.	To address this risk, we: • evaluated management's processes and assumptions used in calculating property, plant and equipment valuations, including consideration of the instructions provided to the valuation expert and the scope of their work; • assessed the competence, capabilities and objectivity of the Council's valuation expert; • obtained direct confirmation from the valuer regarding the basis of the valuation and considered whether the requirements of the CIPFA Code had been met; • challenged the information and assumptions used by the valuer and assessed their completeness and consistency against our understanding of the Council's asset base; • evaluated management's assumptions for assets not revalued during the year and considered whether these assets were likely to be materially different from current value at the year end;	Our work in this area is complete. During our testing of Property, Plant and Equipment valuations, we noted that the Authority's asset valuations had been indexed to December 2025, which is in line with the valuation date used by the Council for valuations. At the year-end date of 31 March 2026, management had not yet performed an assessment of whether movements in asset values between December 2025 and 31 March 2026 were materially different from the indexed valuation position. Following discussion with management, a year-end review was undertaken which identified an increase in asset values of £23.126m. As a result, Property, Plant and Equipment was understated by £23.126m at 31 March 2026. The adjustment relates solely to the year-end valuation of non-current assets, so does not impact on the general fund position, but is also reflected in the Comprehensive Income and Expenditure Statement. Management have agreed to update this and this has been set out in our audit adjustments section. See page 31.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of Land and Buildings and First time Indexation (Continued)	To address this risk, we: • obtained an understanding of the Council's approach to applying indexation to property, plant and equipment during the intervening period between full valuations; • reviewed the indices selected by management and the valuer, assessing their relevance and reasonableness for the associated asset classes; • confirmed the correct application of indices to the relevant asset categories and verified the mathematical accuracy of the indexation calculations; and • assessed whether the resulting valuation movements and related disclosures within the financial statements were appropriate and complied with the requirements of the Code.	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

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of council dwellings (£557.449m) The Authority is required to revalue council dwellings annually. The Council uses the 'Beacon Approach' where representative properties are revalued, rather than each individual property. A social discount factor is then applied to reflect the fact the properties cannot be sold on the open market. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of council dwellings, particularly revaluations and impairments, as another risk.	To address this risk, we: • evaluated management's processes and assumptions used in the valuation of Beacon properties, including consideration of the instructions issued to the valuation expert and the scope of their work; • assessed the competence, capabilities and objectivity of the valuation expert engaged by management; • obtained direct confirmation from the valuer regarding the basis of the valuation and considered whether the valuation approach complied with the requirements of the CIPFA Code; • challenged the information and assumptions used by the valuer and assessed their completeness and consistency against our understanding of the underlying properties; • considered and evaluated the reasonableness of the allocation of values across the Beacon properties and assessed the appropriateness of any significant variances identified; • tested a sample of revaluations undertaken during the year to verify that valuation changes had been accurately recorded within the Council's asset register; and • assessed whether the resulting valuations and related financial statement disclosures were appropriate and in accordance with the requirements of the Code.	Our audit work has not identified any material issues in respect of valuation of council housing.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the Gross Pension liability (£9.898m) The Gross Pension Liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in the key assumptions. The methods applied in the calculation of IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.	To address this risk we: • updated our understanding of the processes and controls in place over the Council's pension fund net liability and evaluated the design and implementation of relevant controls; • evaluated the instructions provided by management to the actuary and considered whether the scope of work undertaken by the actuary was appropriate; • assessed the competence, capabilities and objectivity of the actuary responsible for the Council's pension fund valuations; • assessed the accuracy and completeness of the information provided by the Council to support the actuarial valuation of the pension fund liability; • agreed the pension fund asset and liability valuations and related disclosures within the financial statements to the actuarial report and supporting documentation; • reviewed the actuary's report and assumptions to assess whether the key judgements and estimates applied were reasonable, undertaking additional procedures where necessary;	Our work in this area is complete. We have received our IAS 19 assurance from the auditor of West Midlands Pension Fund. The auditor has alerted us to a difference in the value of assets in the Pension Fund's draft accounts from their audit. Audit testing identified a net overstatement of £20.7m in pension fund asset valuations, primarily due to timing differences in March 2026 valuations received from investment managers. Applying Solihull's 4% share of this difference results in an estimated overstatement of £828,000 which is significantly immaterial. We identified a difference of £5.2m (understatement) for benefits paid which are attributable to the method of estimation used by the actuary. However, we are satisfied that these difference would not have a material impact on the closing liability.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the Gross Pension liability (continued) The source data used by the actuaries to produce the IAS 19 estimates is provided by the administering authorities and employers. We do not consider this to be a significant risk as this easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	(Continued): • obtained assurance from the auditor of the West Midlands Pension Fund regarding the validity and accuracy of membership, contribution and benefits data provided to the actuary, together with the valuation of pension fund assets; and • considered the results of all procedures performed and concluded that the pension fund net liability and related disclosures were reasonable.	Our work in this area is complete

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Other risks

Risk identified	Audit procedures performed	Key observations
Exceptional Financial Support (£32.658m) Due to its deteriorating financial position, the Council has been in receipt of Exceptional Financial Support (EFS) in 2025/26 amounting £32.658m. Due to the significance of EFS to the Council, we identified the presentation and disclosure of exceptional financial support a risk requiring special audit consideration.	To address this risk, we: • gained an understanding of the Council's arrangements for accounting for Exceptional Financial Support and evaluated the design and implementation of the associated processes and controls; • agreed the Exceptional Financial Support balance recognised by the Council to the approved direction issued by the relevant government body and confirmed that the amount recognised was consistent with that direction; and • assessed the related accounting treatment and disclosures within the financial statements to ensure they were appropriate and in accordance with the requirements of the CIPFA Code.	Our work in this area is complete. We received the MHCLG confirmation letter and capitalisation direction authorising £32.658 million of expenditure under Exceptional Financial Support. We completed the procedures required by the letter, including agreeing the amount to supporting records and reviewing its accounting treatment and presentation in the financial statements. From our work we have not identified any misstatements.

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Other risks

Risk identified	Audit procedures performed	Key observations
Valuation of Investment Properties (£15.918m) The Council is required to revalue its investment property annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of investment properties, particularly revaluations and impairments, as an other risk.	To address this risk, we: • evaluated management's processes and key assumptions used in the calculation of property valuations; • evaluated the competence, capabilities and objectivity of the valuer, including consideration of the scope of work performed; • obtained an understanding of the basis on which valuations were undertaken and considered whether the requirements of the CIPFA Code had been met; • challenged the information and assumptions used by the valuer to assess whether they were complete and consistent with our understanding of the Council's property portfolio; • tested a sample of revaluations undertaken during the year to confirm that they had been accurately reflected within the Council's fixed asset register and financial statements; and • considered whether the valuer had appropriately taken account of RICS guidance relating to material valuation uncertainty and whether this had been adequately disclosed within the financial statements.	Our audit work has not identified any material issues in respect of valuation of investment property

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Other risks

Risk identified	Audit procedures performed	Key observations
Completeness, Existence and Accuracy of Cash and Cash Equivalents (£20.470m) The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the statement of financial position. Due to the significance of cash transactions to the Council, we identified the completeness, existence and accuracy of cash and cash equivalents as a risk requiring particular audit attention.	To address this risk, we: • agreed all period-end bank balances to the general ledger, cash book and supporting bank statements; • agreed cash and cash equivalent balances to independent bank confirmations; • tested all material reconciling items and a sample of other reconciling items to supporting evidence and assessed whether they were valid and appropriately recorded; • obtained and reviewed the post year-end bank reconciliations and verified that reconciling items were appropriately reflected and cleared as expected; • obtained direct bank confirmations from the Council's banking institutions and agreed confirmed balances to the accounting records; • agreed the aggregate cash and cash equivalent balance to the relevant financial statement disclosures; and • considered the results of the procedures performed and concluded that cash and cash equivalent balances were appropriately stated and disclosed.	Our work in this area is complete. From our work to date we have not identified any misstatements.

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Other risks

Risk identified	Audit procedures performed	Key observations
Mutual Early Resignation Scheme The Council has introduced a Mutual Early Resignation Scheme (MERS) to support its planned reduction in workforce costs, targeting savings of £2.7 million per year. The scheme allows eligible employees to resign voluntarily in return for a severance payment set at 65% of basic salary, with approvals overseen by the Corporate Delivery Board. This programme may give rise to termination benefit costs, provisions and disclosures that must be appropriately accounted for in the financial statements	To address this risk, we: • obtained an understanding of the MERS programme, including the approval arrangements, eligibility criteria and the expected workforce impacts; • assessed whether the recognition of termination benefit obligations was in accordance with the requirements of the Code and IAS 19, including consideration of whether a present obligation existed at the balance sheet date; • reviewed supporting evidence provided by management to assess the completeness and accuracy of severance and termination-related costs recognised within the financial statements; and • evaluated whether the disclosures relating to termination benefits, redundancy programmes and the associated financial impacts were complete, accurate and compliant with the requirements of the Code	Our audit work has not identified any material issues in respect of the Mutual Early Resignation Scheme.

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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.

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Related significant risks/other risks**
Oracle	ITGC assessment (design and implementation effectiveness only)	Amber	Amber	Amber	Amber	We have identified recommendations in our action plan (see page 37)

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

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Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	• We are not aware of any significant incidences of non-compliance.
Written representations	• We draw your attention to the draft Letter of Representation which is included within the committee papers.
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. These were returned with positive confirmation.
Disclosures	• Our review found no material omissions in the financial statements.
Significant difficulties	• There were no significant challenges during the audit.

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Other responsibilities

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

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Other responsibilities

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

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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. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. Further details of our review of the Authority's Value for Money arrangements are set out on page 40. This section also references our Annual Audit Report (AAR), which was presented to those charged with governance alongside this report on 21 September.
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. Our work has not yet commenced, as we await auditor instructions from the NAO.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2025/26 audit of the Authority in the audit report until the NAO have notified us that their work in respect on whole of government accounts is complete

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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.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
During our testing of Property, Plant and Equipment valuations, we noted that the Authority's asset valuations had been indexed to December 2025 which is in line with the valuation date used by the Council for valuations. At the year-end date of 31 March 2026, management had not yet performed an assessment of whether movements in asset values between December 2025 and 31 March 2026 were materially different from the indexed valuation position. Following discussion with management, a year-end review was undertaken which identified an increase in asset values of £23.126m. As a result, Property, Plant and Equipment was understated by £23.126m at 31 March 2026. The adjustment relates solely to the year-end valuation of non-current assets, so does not impact on the general fund position, but is also reflected in the Comprehensive Income and Expenditure Statement.	23,126	DR Property Plant and Equipment 23,126 CR Revaluation Reserve (12,827) CR Capital Adjustment Account (10,299)	Nil	Nil
Overall impact	23,126	0	0	0

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Audit adjustments (Continued)

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 (Continued)

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
During our testing of Level 3 financial instrument valuations, we obtained the updated valuation of the Council's investment. The valuation, which was reviewed by BDO LLP, concluded that the fair value of the Council's 3.75% shareholding in Birmingham Airport Holdings Limited at 31 March 2026 was approximately £26.0m, compared to the value of £23.5m included within the draft financial statements. As a result, the Council's investment in Birmingham Airport Holdings Limited was understated by £2.5m at 31 March 2026.	CR Gain on Fair value of investments (2,500)	DR Long term investments 2,500	Nil	Nil
Overall impact	2,500	2,500	0	0

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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?
Throughout	A number of typographical errors have been identified throughout the financial statements, including a total in Note 9 – Grant Income and a prior year figure in the HRA I&E.	✓
Note 34 – Defined Benefit Pension Schemes	An updated IAS 19 actuarial valuation was received following completion of the accounts, based on actual asset returns rather than estimated returns. This resulted in an increase in the fair value of plan assets of £1.130m, offset by a corresponding increase in the asset ceiling adjustment of £1.130m. Consequently, there is no impact on the net pension liability reported in the Balance Sheet and no amendment is proposed.	x
Collection Fund Disclosure note	The average Band D Council Tax for 2025/26 disclosed beneath the Council Tax base table is incorrectly stated as £2,065.35. The correct figure is £2,087.81 and the disclosure should be amended accordingly.	✓

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Audit adjustments

Impact of unadjusted misstatements

We have not identified any misstatements above our reporting threshold in the work performed to date.

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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 2024/25, and the resulting impact upon the 2025/26 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2025/26 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 surplus/deficit of the provision of services £'000	Impact on general fund £'000	Reason for not adjusting
The remeasurement of PFI liability for IFRS16 purposes should have used the latest indexation only with no indexation assumed in future years. After this point any changes to indexation are accounted for by remeasurement of the lease using up-to-date indexation at that point. This reduced the opening liability balance by £764k. This was not adjusted for as it was not material.	764	764	764	0	Significantly Immaterial.
Income had been overstated in the consolidated group accounts by £2.116 million. An earlier estimated figure included in the accounts was not updated. This affects the group statements only. This was not adjusted for as it was not material.	2,116	2,116	2,116	0	Significantly Immaterial.
Impact of prior year unadjusted misstatements on the current year's financial statements	2,880	2,880	2,880	0	0
Cumulative impact of prior year and current year unadjusted misstatements on 2025/26 financial statements	2,880	2,880	2,880	0	0

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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
● Low	Bank Reconciliation. During our review of the bank reconciliation, we identified a number of unpresented cheques dating back to early 2021. Although the total value is clearly trivial, retaining historic unpresented cheques may result in inaccurate reconciling items and the associated balances remaining incorrectly recorded.	We recommend that management periodically review unpresented cheques and investigate and write off any historic items that are no longer expected to be presented. **Management response** Management accept this recommendation and have already begun the process of clearing historic imbalances. These are significantly below triviality, but a process will be put in place to regularly clear these items down. There are few other items and Internal Audit carry out an annual review of the bank reconciliation process which has been scored as a Level 1 (Full Assurance).

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

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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
● Medium	IT Controls During our testing of user access controls, we identified an account belonging to an individual with a termination date of 21 June 2024 which remained active on the system when we reviewed the active user population on 10 February 2026. The account had not been identified for removal as the individual was classified as a contingent worker within the system. Failure to promptly remove access for individuals who no longer require it increases the risk of unauthorised access to systems and data, which could result in inappropriate transactions and weaken the Authority's control environment.	We recommend management review the leavers' process to ensure it captures all user types, including contingent workers, and that access rights are removed promptly when individuals leave the organisation. **Management response** Management undertook a review of the effectiveness of the leavers process and the automated worker access removal process following the testing results. The conclusion it operated effectively, successfully removing access in over 99.2% of cases. The exception identified in the sample related to an individual who maintained an additional active work relationship within Oracle Cloud and therefore did not meet the criteria for automated removal. This represented an exceptional business scenario rather than a failure of the underlying control. Following the investigation, the automated process has been enhanced to identify and manage users with multiple work relationships, ensuring this scenario is captured going forward and further strengthening the control environment. Although the Oracle account remained active, access was prevented through multiple independent security controls, including the termination of SMBC network access, the disabling of Single Sign-On (SSO) authentication and the operation of Location Based Access Controls (LBAC). These controls remained effective throughout the period and mitigated the risk of unauthorised access. The effectiveness of these further controls is demonstrated that the individual with a termination date of 21 June 2024 had not accessed the system since the 14th June 2024. Management considers this finding to be an isolated exception rather than evidence of a systemic weakness in the leavers process, given the effectiveness of the automated control, the additional security controls in operation and the enhancement implemented to address the specific scenario identified.

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

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Action plan (continued)

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

Assessment	Issue and risk	Recommendations
● Low	IT Controls As part of our journal testing, we identified journals posted with blank user IDs. Management explained that these journals are automatically generated from the income system and uploaded into the financial system through a daily interface. While we were able to verify the nature of these transactions, the absence of a unique user ID reduces the transparency of the audit trail and limits the ability to clearly identify the source of journal entries.	We recommend management consider assigning a unique system-generated user ID to automated journals posted through system interfaces to improve audit trail transparency and accountability over journal processing. **Management response** Officers will investigate it if is possible for these automatic journals to have a user ID to identify where the originating system creates the entry.

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

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Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2024/25 financial statements, which resulted in 2 recommendations being reported in our 2024/25 Audit Findings Report. We have followed up on the implementation of our recommendations and 2 are still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	Journal processes The Council posts several hundred thousand transactions during the year, with the majority of these transactions being reported as either 'manual' or 'spreadsheet' type transactions. The number and value of journals posted, lack of any review for journal lines below £250,000, a purely retrospective review and approval of journal lines above £250,000, and the high number of individuals posting journals very infrequently raises the risk of error. The majority of journals in value terms were though subsequently authorised. We appreciate this is not an easy exercise for the Council, however we do consider it best practice to authorise all journals. We would recommend to the Council going forward this be introduced into discussions with the finance system provider to understand what options are available if efficiencies can be gained. If the Council continues to be willing to tolerate any residual risk having considered the balance of effective and efficient working against risk of error or loss then we will continue to take this into consideration in our audit approach to journals.	Recommendation (2024/25 AFR) We recommend that you reconsider the Council's approach to authorising all journals. Management Response: Management remain willing to tolerate this risk; however, work remains ongoing to test the solution of approving journals in advance within Oracle Cloud.

Assessment

✓ Action completed

X Not yet addressed

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Follow up of prior year recommendations (Continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	IT controls in Oracle Fusion In April we provided management with a detailed report of our annual IT findings. Management has agreed an action plan to address the recommendations in this report. The most significant issue raised in this report related to some segregation duties in Oracle Fusion. Administrative access to Oracle Fusion had been granted to users who are not the members of IT team and performed business process/ financial reporting. The combination of financial responsibilities with the ability to administer end-user security would be considered a segregation of duties conflict. We noted three such users in 2024/25. Assigning excessive privileged access roles increases the risk that system-enforced internal control mechanisms could be bypassed resulting in users being able to: - Make unauthorised changes to system configuration parameters. - Create unauthorised accounts. - Make unauthorised updates to user account privileges	Recommendation (2024/25 AFR) We recommend management perform a review of all users and their access rights in Oracle Fusion and confirm if these align with their designated roles and responsibilities. We recommend you evaluate the need to assign finance roles to the system administrators and if no longer required they should be revoked and assign access to any application on the principle of least privilege. Management Response: Roles were reviewed and several were removed from the ICT support team. However, the team remains a small team and, through the documented and auditable processes for assignments and management of roles within Oracle Fusion, occasionally there is requirement for user access to be amended to ensure appropriate support can be given to the organisation as a whole. Management continues to tolerate this risk with regular internal monitoring/auditing.

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Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2026

The National Audit Office issued its latest Value for Money guidance to auditors in March 2026. 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 2025-26. Our draft AAR accompanies this audit findings report

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



Governance

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



Financial sustainability

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



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.

In undertaking this work we have identified two significant weaknesses in arrangements relating to financial sustainability and reliance on EFS and the increasing DSG deficit were identified.

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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 and network firms). In this context, there are no independence matters that we would like to report to you.

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 or group.
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/group, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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.

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Independence considerations

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

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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 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 group's policy on the allotment of non-audit work to your auditor.

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

We confirm that the fees from non-audit services to the audited entity and its controlled entities do not exceed 70% of the total audit fee for the year.

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 Solihull 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.

Audit fees	£
Audit of Authority	(£) 389,413
Total	(£) 389,413

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

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Fees and non-audit services

Audit-related non-audit services

Service	2024/25 £	2025/26 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	34,250 uplifted for CPI plus daily charge of 1,500 for any additional testing	35,060 plus an uplift for CPI.	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £35,060 in comparison to the total fee for the audit of £389,413 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.
Certification of Pooling of Housing Capital Receipts claim	10,000	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £389,413 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.
Teachers' Pension Return	12,500	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £389,413 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	56,760 uplifted for CPI plus daily charge of 1,500 for any additional testing	57,560 plus an uplift for CPI		

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Fees and non-audit services

Total audit Fee	non-audit fee
£389,413	57,560 plus an uplift for CPI

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 – note 12 £395,000
- 24/25 Additional fee for valuations (£6,000)
- total fees per above £389,413

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

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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	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the 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		●

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

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B. 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. This is included as a separate agenda item.

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C. Audit opinion

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Solihull Metropolitan Borough Council (the 'Authority') and its subsidiaries and joint ventures (the 'group') for the year ended 31 March 2026, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure 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 2025/26.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2026 and of the group's expenditure and income and the Authority's 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 2025/26; 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 group and 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 Director of 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 group and 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 or the group to cease to continue as a going concern.

In our evaluation of the Director of 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 2025/26 that the Authority's and group'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 group and 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 group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of 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 and the group'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 Director of Resources with respect to going concern are described in the relevant sections of this report.

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C. Audit opinion

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 Director of 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 2025/26, 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.

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C. Audit opinion

Responsibilities of the Authority and the Director of 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 Director of Resources. The Director of 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 2025/26, for being satisfied that they give a true and fair view, and for such internal control as the Director of 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 Director of Resources is responsible for assessing the Authority's and the group'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 and the group 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 group and 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 2025/26, 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 and Housing Act 1989, Local Government Act 1972, 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 audit committee, concerning the group and 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 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 and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. We determined that the principal risks were in relation to large and unusual journals which were designed to change financial performance.

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C. Audit opinion

Our audit procedures to address the principal fraud risk included:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;

- Journal entry testing, with a focus on large year end manual journals, journals posted by senior officers and large and unusual journals which were designed to change financial performance and journals posted by users with admin access;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pension liabilities; 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 the events and transactions reflected in the financial statements, the less likely we would become aware of it or recognise non-compliance.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. 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 group and Authority audit team members included consideration of their:
  - 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 in which the group and Authority operates
  - understanding of the legal and regulatory requirements specific to the Authority and group 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 and group'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 and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.
- 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.

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C. Audit opinion

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 2026.

We have nothing to report, except that we identified two significant weaknesses in the Authority's arrangements for the year ended 31 March 2026:

Significant weaknesses in arrangements identified:

Financial sustainability:

1. Significant weakness 1:

The Council's financial sustainability arrangements are inadequate due to significant medium-term budget gaps from 2027/28 onwards and continued reliance on Exceptional Financial Support (EFS) to balance its financial position. Whilst savings have been delivered and further savings identified, these are insufficient to address the forecast funding gaps, increasing the risk to the Council's long-term financial resilience.

Key Recommendation

The Council must develop and implement a sustainable long-term strategy to address its budget gaps from 2027/28 onwards to reduce and then remove its reliance on Exceptional Financial Support (EFS). Given the scale of the financial challenge, recurrent transformational savings alone are unlikely to be sufficient to close future funding gaps. The strategy should therefore set out a realistic and deliverable combination of savings and other sustainable measures to achieve long-term financial sustainability.

2. Significant Weakness 2:

The Council's Dedicated Schools Grant deficit remains a financial risk. The cumulative deficit increased to £37.7m by 31 March 2026 and is forecast to continue growing. Government has confirmed it will fund 90% of the current deficit, subject to approval of the Council's Local SEND Reform Plan. With the statutory override ending in March 2028, the Council is expected to fund the residual DSG deficit up to 2027/28. The amount of this residual deficit is uncertain as details of future support have yet to be confirmed, although the Government has announced that for both 2026/27 and 2027/28, support will be provided on an "appropriate and proportionate approach". Although the residual deficit is not expected to exceed forecast reserve levels and plans to address it will be developed during the 2027/28 budget process, at this stage some uncertainty remains regarding the Council's ability to manage the residual deficit when the statutory override ends in March 2028.

Key Recommendation

The Council must ensure the effective delivery of its Local SEND Reform Plan and maintain robust oversight of the Dedicated Schools Grant position, with regular reporting to members on progress against key milestones, financial forecasts, and risks.

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.

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C. Audit opinion

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

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

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

Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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

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

We cannot formally conclude the audit and issue an audit certificate for Solihull Metropolitan Borough Council for the year ended 31 March 2026 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority's consolidation returns and we have received confirmation from the National Audit Office that the audit of the Whole of Government Accounts is complete for the year ended 31 March 2026. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2026.

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.

Avtar Sohal

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

Birmingham

October 2026

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