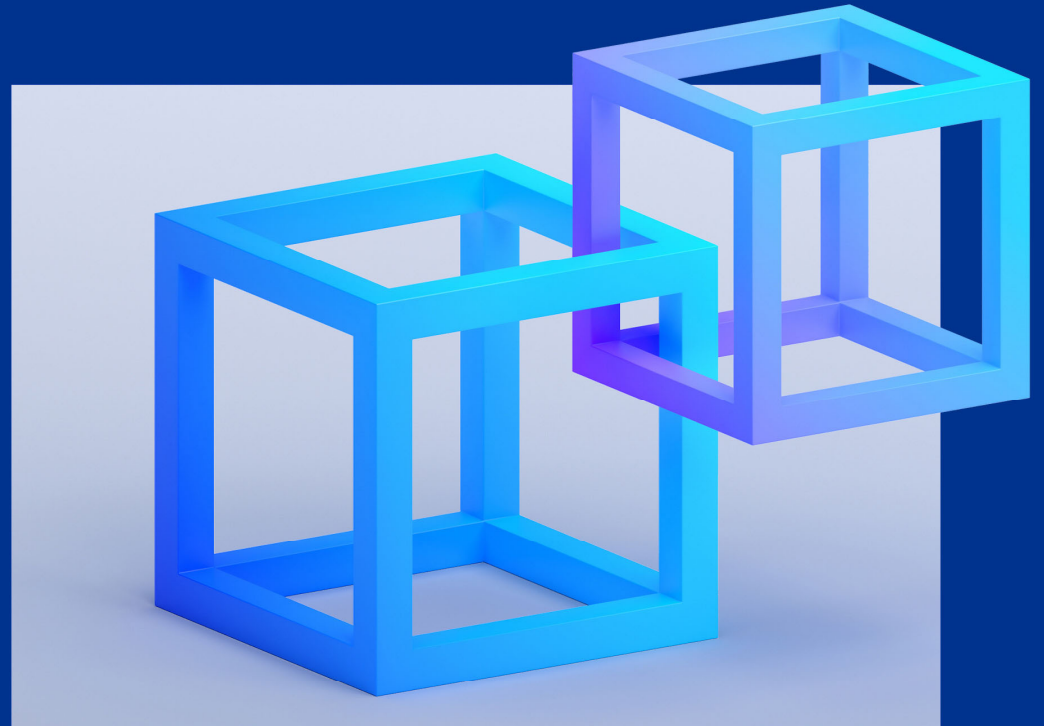




London Borough of Lewisham Pension Fund

Year End Report to the Pension Fund Committee

Year end report for the year ended 31 March 2025



Introduction

To the Pension Fund Committee of London Borough of Lewisham Pension Fund

We are pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements of London Borough of Lewisham Pension Fund, as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 22 July 2025. We will be pleased to elaborate on the matters covered in this report when we meet.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG, and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and,
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We are committed to providing you with a high-quality service. If you have **any** concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me (fleur.nieboer@kpmg.co.uk), the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler. (tim.cutler@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: [Complaints](#)

Subject to the approval of the statement of accounts, we expect to issue an unmodified Auditor's Report.

There have been no significant changes to our audit plan and strategy

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,



Fleur Nieboer

Partner KPMG LLP

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Our audit findings	4
Significant risks and Other audit risks	5
Audit risks and our audit approach	6
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Important notice



This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of London Borough of Lewisham Pension Fund (the "Fund"), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, as at and for the year ended 31 March 2025.

This Report has been prepared for the Administering Authority's Pension Fund Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 22 July 2025.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Fund's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is now complete.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit & Risk Committee of the Administering Authority's; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



Our audit findings

Significant audit risks		Page 5–8
Significant audit risks	Risk change	Our findings
Management override of controls	No change	No issue identified.

Key accounting estimates		Page 9-11
Valuation of Level 3 Pooled Investment Vehicles	Optimistic	We agreed the value to investment manager confirmations and assessed the NAV statements as reliable. We assessed the assumptions as optimistic mainly due to the overstatement noted in the valuation for LCIV fund i.e., mid prices were used instead of bid prices. See page 10 for details.
Valuation of Level 1 & 2 Pooled Investment Vehicles and Segregated Investments	Balanced	No issues to report. We verified valuations to independent pricing sources provided by our in-house pricing team. For any investment positions our pricing team were unable to obtain an independent price for, we performed retrospective review procedures as an alternative.

Uncorrected Audit Misstatements		Page 18
Understatement/ (overstatement)	£k	%
Net assets	(998)	(0.05)

Uncorrected misstatements in respect of Disclosures		Page 18
Disclosure	Our findings	
Capital Commitment disclosure	Updated note to correctly reflect the commitments.	
Inconsistency in risk, fair value and reconciliation of investment disclosure	Updated note to correctly reflect the amounts.	

Number of Control deficiencies		Page 19
Understatement/ (overstatement)		
Other control deficiencies		1
Prior year control deficiencies remediated		0

Significant risks and other audit risks

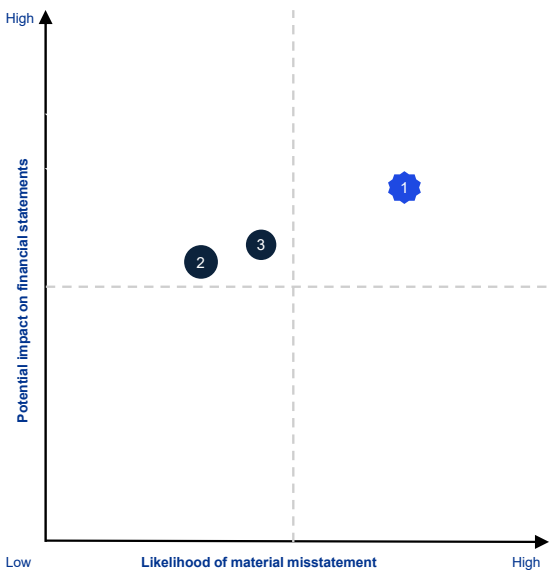
We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which London Borough of Lewisham Pension Fund operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

See the following slides for the cross-referenced risks identified on this slide.

Significant risks	
1	Management override of controls
Other audit risks	
2	Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded
3	Valuation of Level 1, Level 2 and Level 3 investments is misstated



- KEY**
- Presumed significant risk
 - Other audit risks

Audit risks and our audit approach



Management override of controls(a)

Fraud risk related to the unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit



Our response

Our audit methodology incorporates the risk of management override as a default significant risk. We have:

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies
- In line with our methodology, we evaluated the design and implementation of controls over journal entries and post-closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business or are otherwise unusual.
- Assessed the completeness of the population of journal entries and test specific journals through the year using our selected high-risk criteria, focusing our testing on those with a higher risk, such as journals with unusual code combinations outside our expectations.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Audit risks and our audit approach (cont.)



1 Management override of controls (cont.)(a)

Fraud risk related to the unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit



Our findings

- We have not identified any indication of management override in the year leading to material misstatement or significant concern.
- We have reviewed the accounting records and did not identify any significant unusual transactions.
- We have also reviewed management estimates, and the journal entries posted in the period and around the year end. We did not identify any areas of bias in key judgements made by management.
- We performed the screening of journals listing and did not identify any high-risk criteria. Our screening procedures identified journal entries and our examination of these did not identify unauthorised, unsupported or inappropriate entries.
- Our testing over journals is complete.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Audit risks and our audit approach (cont.)



2 Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded



Other risks

- Level 1, Level 2 and Level 3 investments are not complete, do not exist or are not accurately recorded.
- Investments are held to pay benefits of the Fund. They are held with 10 investment managers across a number of asset classes. The investments are material to the financial statements (99% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to completeness, existence and accuracy as there has been a number of investment transitions in the year between investment managers.



Our response

- As part of our audit procedures, we gained an understanding of the processes over the completeness, existence and accuracy of Level 1, Level 2 and Level 3 investments. This included gaining an understanding of the control environment at all the investment managers and the custodian by reviewing their internal controls reports to identify any control deficiencies that would impact our audit approach.
- We obtained direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end.
- We vouched purchases and sales to custodian reports.
- We recalculated change in market value and compare this to the overall investment return stated in the Pension Fund Committee's report for consistency with the amounts reported in the financial statements. We investigated any material deviations.



Our findings

There are no matters arising from our work over this risk area.

Audit risks and our audit approach (cont.)



3

Valuation of Level 1, Level 2 and Level 3 investments is misstated



Other risks

- Investments are held to pay benefits of the Fund. They are largely held as pooled investment vehicles held with 10 investment managers. The investments are material to the financial statements (99% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a base risk of material misstatement relating to fair values of Level 1 and 2 pooled investments, due to the estimation uncertainty resulting from the pricing of these investments.
- There is an elevated risk of material misstatement relating to fair values of Level 3 pooled investments, due to the estimation uncertainty resulting from application of methods, assumptions and data elements with NAV reports.



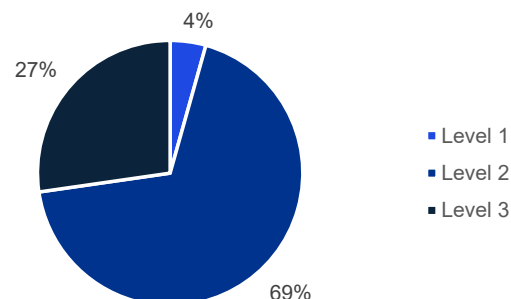
Our response

Our approach in relation to valuation for different types of investments is as follows:

- **Level 1 & 2 Pooled Investment Vehicles:** We recalculated the value of the Level 1 and 2 pooled investments using published pricing of the pooled investment vehicles at the year end (where available).
- **Level 3 Pooled Investment Vehicles:** For each Level 3 pooled investment vehicle investment manager, we obtained the unaudited Net Asset Value ('NAV') Statement at (or closest to) the measurement date and vouched the valuation to this. We further assessed the reliability of the NAV statement for all Level pooled investment vehicles by:
 - Obtaining and inspecting the latest audited financial statements for the underlying funds where available;
 - Inspecting the audit report to confirm that it is unqualified and that the audit has been carried out by a reputable audit firm; and

See following pages for our findings.

Audit risks and our audit approach (cont.)



Type of security	Portfolio	Market value 2025 (£m)	Percentage of portfolio 2025 %	Market value 2024 (£m)	Percentage of portfolio 2024 %
Level 1: Cash		81.88	4.35%	56.00	3.04%
Level 2: PIVs		1,286.83	68.36%	1330.16	72.25%
Level 3: PIVs		513.61	27.29%	454.93	24.71%
Total		1,882.32	100%	1,841.09	100%



Our findings

Type of security	Our findings	Assessment of accounting estimate
Level 3: Pooled Investment Vehicles	<ul style="list-style-type: none"> We obtained direct confirmations from the custodian and all the investment managers to vouch the holdings and valuation of assets at the year end; The draft financial statements are prepared on the basis of latest available valuations that are sometimes lagged due to delay in preparing the quarterly valuation statements by investment managers. Our audit procedures involved obtaining valuations as at 31 March 2025. We have identified an overstatement of £0.998m between the values in the draft financial statements and those provided by the investment managers as at 31 March 2025. This is relating to LCIV funds. This misstatement occurs as management use mid prices report instead of bid Prices due to non availability of bid prices at the time of preparing the accounts. This is not material to our financial statement's opinion. See page 18 for details. <p>We have been able to satisfactorily address this audit risk, however, due to above overstatement, we have considered the valuation as optimistic but within reasonable range.</p>	

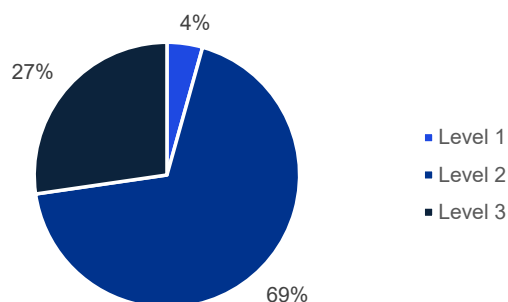
Key:
 Prior year Current year



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Audit risks and our audit approach (cont.)



Type of security	Portfolio	Market value 2025 (£m)	Percentage of portfolio 2025 %	Market value 2024 (£m)	Percentage of portfolio 2024 %
Level 1: Cash		81.88	4.35%	56.00	3.04%
Level 2: PIVs		1,286.83	68.36%	1330.16	72.25%
Level 3: PIVs		513.61	27.29%	454.93	24.71%
Total		1,882.32	100%	1,841.09	100%



Our findings

Type of security	Our findings	Assessment of accounting estimate
Level 2 Pooled Investment Vehicles	<ul style="list-style-type: none"> We obtained direct confirmations from the custodian and all the investment managers to vouch the holdings and valuation of assets at the year end; We verified the pricing of the pooled investment vehicles at the year end to an external pricing source. There are no matters arising from this testing; London Borough of Lewisham Pension Fund directly holds investment in HarbourVest GL PE ORD NPV (which is a listed vehicle). Thus, the valuation cannot be confirmed by investment manager. They have confirmed the total units held by London Borough Lewisham Pension Fund. We have independently obtained the prices and noted no issues. <p>We have been able to satisfactorily address this audit risk, therefore, considered valuation as balanced.</p>	

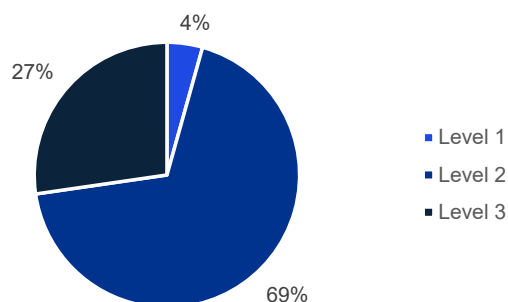
Key:
 Prior year Current year



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Audit risks and our audit approach (cont.)



Type of security	Portfolio	Market value 2025 (£m)	Percentage of portfolio 2025 %	Market value 2024 (£m)	Percentage of portfolio 2024 %
Level 1: Cash		81.88	4.35%	56.00	3.04%
Level 2: PIVs		1,286.83	68.36%	1330.16	72.25%
Level 3: PIVs		513.61	27.29%	454.93	24.71%
Total		1,882.32	100%	1,841.09	100%

Our findings

Type of security	Our findings	Assessment of accounting estimate
Cash	<ul style="list-style-type: none"> We have agreed investment cash balances to confirmations received directly from the bank and investment manager. 	Not applicable, as no estimation is involved

Other matters

Narrative Report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ('the Code'). Based on the work performed:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council. As Pension Fund Committee members, you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Annual Governance Statement

We have reviewed the Council's 2024/25 Annual Governance Statement and confirmed that:

- It complies with delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning, and no further work or matters have arisen since then.

We have not completed any non-audit work at the Fund during the year.

Audit Fees

Our scale fee for the 2024/25 audit, as set by PSAA is **£96,000** plus VAT (£93,000 plus VAT in 2023/24).

Appendix

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Uncorrected and Corrected audit misstatements	18
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FRC's areas of focus	21
KPMG's Audit quality framework	22

Required communications

Type	Response
Our draft management representation letter	<input checked="" type="checkbox"/> OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025./OR explain additional representations requested.
Adjusted audit differences	<input checked="" type="checkbox"/> OK There was 1 adjusted audit difference with an impact on net asset statement of £998K. See page 18 for more details.
Unadjusted audit differences	<input checked="" type="checkbox"/> OK There were no unadjusted audit differences.
Related parties	<input checked="" type="checkbox"/> OK There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	<input checked="" type="checkbox"/> OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<input checked="" type="checkbox"/> OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	<input checked="" type="checkbox"/> OK No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	<input checked="" type="checkbox"/> OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	<input checked="" type="checkbox"/> OK No significant difficulties were encountered during the audit.
Modifications to auditor's report	<input checked="" type="checkbox"/> OK None
Disagreements with management or scope limitations	<input checked="" type="checkbox"/> OK The engagement team had no disagreements with management, and no scope limitations were imposed by management during the audit.
Other information	<input checked="" type="checkbox"/> OK No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	<input checked="" type="checkbox"/> OK No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
Accounting practices	<input checked="" type="checkbox"/> OK Over the course of our audit, we have evaluated the appropriateness of the London Borough of Lewisham Pension Fund's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	<input checked="" type="checkbox"/> OK The significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	<input checked="" type="checkbox"/> OK We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. We have not yet certified the audit as complete because our work on WGA is outstanding.

Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2024/25 (£'000)	2023/24 (£'000)
Audit services		
Financial Statements	95	85
ISA 315(R)	-	8
TOTAL	95	83

Prior period fee variations:

Fee variations were agreed by PSAA for the prior period as follows:

- New auditing standards: £7,840

Total: £7,840 (9.4% of scale fee).

Billing arrangements

Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

If we identify any fee variations upon the completion of our work, we will agree these with management and report them at a later date.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the partner and audit staff is not impaired.

To the Audit & Risk Committee

Assessment of our objectivity and independence as auditor of London Borough of Lewisham Pension Fund

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result, we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

No non-audit services are being provided directly to the Fund during the year ended 31 March 2025 and we have not committed to providing any such services.

Fee level

We do not consider that the objective, reasonable and informed third party would conclude that it is probable that our independence would be compromised by the level of the audit fee.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP, each member of the audit engagement team, and anyone else within the Firm who can influence the conduct or outcome of this audit engagement is independent within the meaning of regulatory and professional requirements. This report is intended solely for the information of the Committee and should not be used for any other purposes. We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP



Audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit & Risk Committee with a summary of **Corrected/uncorrected audit differences** (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements.

There are no uncorrected audit differences.

Below is the summary of corrected audit differences:

Corrected audit differences (£'000)				
No.	Detail	Fund account (Dr/Cr)	Net Asset Statement (Dr/Cr)	Comments
1	Dr Change in market value Cr L3 Pooled Investments	£998 -	- (£998)	This misstatement occurs as management use mid prices report instead of bid prices for year end valuation purpose for LCIV funds. <i>For assets measured at fair value that have a bid and ask price, IFRS 13 requires the use of the price within the bid-ask spread that is the most representative of fair value.</i>
Total		£998	(£998)	

Below is the summary of corrected audit disclosure differences:

Matter	Type	Comment
Capital Commitment Disclosure	Factual	Capital commitments were wrongly recorded as at 31 May 2025 instead of 31 March 2025.
Inconsistency in risk, fair value and reconciliation of investment disclosure	Factual	<ul style="list-style-type: none"> Other investment assets, liabilities amounts were incorrectly recorded. Sale/purchase for UK venture Capital was incorrectly recorded. Sensitivities related to interest rate risk was incorrectly recorded.

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations

- 1** **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2** **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3** **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	Timely disablement of system access for leavers During our testing, we identified one instance where a leaver's user account within the Oracle system was not disabled in a timely manner after the employee's departure. While management provided a download showing the user's last login date as being prior to the termination date, the file was editable and could not be independently cross-verified to the system source. As a result, we were unable to obtain direct system-generated evidence confirming that no access occurred after the employee's exit. Risk: Failure to promptly revoke system access increases the risk of unauthorized access, data leakage, or misuse of organisational resources after employment termination. Recommendation: Management should enhance the leavers' access management process to ensure that: <ul style="list-style-type: none"> All leaver accounts are disabled within one business day of termination. System-generated audit evidence (rather than editable downloads) is retained to confirm last login and disablement activity. HR provides IT with a daily leavers report to trigger timely action. Quarterly monitoring is performed by Information Governance to verify compliance and evidence quality, with exceptions reported to management. 	We acknowledge the recommendation regarding the process to disable leavers' system access in a timely manner. To address this issue, we will: <ol style="list-style-type: none"> Tighten the controls to be based around last working day and therefore last day of legitimate access. Oracle – accounts are automatically disabled by the system on the termination date entered by either HR or Payroll for that person's worker record. There is no further manual intervention necessary from an IT perspective as IT are not involved in the leaver process for Oracle. From recommendation 3 - any notification from HR (e.g. via a leavers report) is generated from Oracle which means the termination has already been actioned and account automatically disabled. SharePoint – leaver accounts are actioned by STS following leaver notification from the line manager. Once their network account is disabled in Entra, so is access to SharePoint. Recommendation 3 would tighten this control as any account disabled in Oracle will then be used by STS to check that the accounts have also been disabled in SharePoint. the relevant issue is not about retention of 'system-generated audit evidence' that identifies last login and disablement activity, but whether the applications that were in focus actually had that in-built functionality and, in the case of at least one, whether making such functionality active would impact significantly upon system performance. If system generated audit evidence is available, then it will be retained in the system in accordance with vendor designed functionality, we have not taken any action to remove it. the report required is already run; we will ensure that it is sent to the correct people in STS to check action has been taken. additional monitoring and reporting of the performance against these controls will be carried out in 2025/26.

Control Deficiencies

We have also followed up the recommendations from the previous years audit, in summary:

Priority rating for recommendations

- 1** **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2** **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3** **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
1	3	Membership reconciliation We noted that no formal member reconciliation is performed noting membership changes in the year, reconciling movements and cross checking against the underlying payroll records. There is a risk that membership information may be incorrect. We therefore recommend that the Fund considers performing an annual membership reconciliation to ensure the completeness and accuracy of member records, which should be checked against the underlying payroll records for active and pensioner members at the year end or keep an audit trail and do a formal check when a report is run for the year end.	The Pension Fund is confident that the membership information is accurate, though understands that the inability to run a single year end reconciliation report between the finance and pension system does not provide this assurance. There are some standard reports which can be run from the pensions system which may support this. The Head of Payroll and Pensions will work with systems provider and auditors to ascertain whether these will provide additional information that provides this assurance. Owner: Head of Payroll and Pensions Deadline: September 2025	This has been implemented as at 31 March 2025 in respect of the reconciliation for pensioners, however, the original recommendation included active members, which the council did not reconcile, and therefore we have re-raised this. Council will undertake this reconciliation for both, pensioner and active members as part of 2025-26. Owner: Head of Payroll and Pensions Deadline: September 2026
2	2	Related party We have observed that the Pension Fund lacks a formal process for identifying related parties. Instead, a retrospective review is conducted to identify related parties and related party transactions. This approach poses a risk of over-disclosure of related parties and may lead to the disclosure of relationships that do not meet the definition of a related party as per accounting standards. We therefore recommend pension fund should have a process to determine which interests are related parties and maintain a log of these	Officers already keep a register of members declarations of interest from the Pension Investment Committee meetings and the Pension Board meetings. Officers will work together with colleagues concerned with creating the disclosure notes to the main LBL financial statements to ensure a consistent approach is taken in determining whether declared interests meet the definition of a related party for the Council or Pension fund. Owner: Pensions and Investments Manager Deadline: April 2025	Implemented We have not identified any similar issue this year.

ISA (UK) 240 Revised: changes embedded in our practices



Ongoing impact of the revisions to ISA (UK) 240

- ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.
- We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 4 and 6. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

KPMG's Audit quality framework



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight (and Risk) Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



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