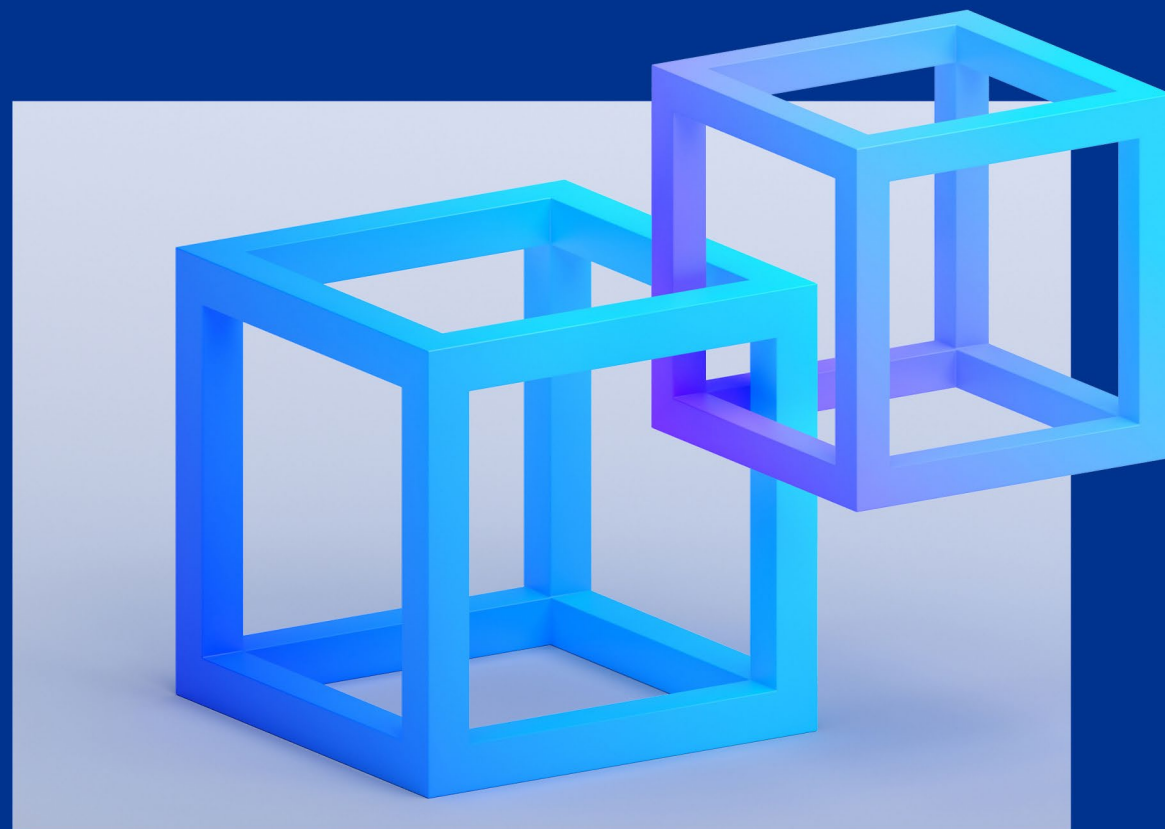




London Borough of Lewisham



Year end report for the year ended 31 March 2025

10 December 2025

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 consolidated financial statements of London Borough of Lewisham (the 'Authority') 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 Authority's Audit and Risk 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.

Limitations on work performed

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

Fleur Nieboer

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 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 Authority; 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	Pages 6-11
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Significant audit risks	Our findings
Management override of controls	Our work over the testing of the journals is now complete. We have not identified any instances of management override of control.
Valuation of council dwellings	We note there is no formalised management review control over the assumptions used in the valuation report. Our testing in this area is complete. See page 7 for details on audit work and findings.
Valuation of post-retirement benefit obligations	The results of our testing were satisfactory. We have not identified any issues in relation to the assumptions used within the valuation of the gross pension liability. See pages 11-12 for details.

Key accounting estimates	Page 16
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Significant audit risks	Our findings
Valuation of council dwellings	We assessed as reasonable the assumptions underpinning the valuation. We have found the assumptions to be slightly optimistic but within our acceptable range. See page 7 for details.
Valuation of pension obligations	We assessed the actuarial assumptions underpinning the valuation and found them to be balanced overall relative to our central rates and within our acceptable range. See page 11 for details.

Audit misstatements	Pages 30- 31
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Understatement/ (overstatement)	£m	%
Revenues	0.0	0.0
Deficit for the year	0.0	0.0
Total assets	0.0	0.0
Total taxpayers' equity	0.0	0.0

We found one uncorrected and one corrected misstatement that have a nil net impact. These are detailed on page 31.

Misstatements in respect of Disclosures	Page 31
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Misstatement in respect of disclosures	Our findings
	During the course of our audit, adjustments were required to a number of disclosures within the financial statements. Further details are available on page 31 of our report.

Number of control deficiencies	Page 32-40
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Significant control deficiencies	3
Other control deficiencies	5
Prior year control deficiencies remediated/not re-raised	8

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 the London Borough of Lewisham operates.

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

Our risk on the adoption IFRS16 has reduced since issuing our audit plan as the right of use (ROU) asset balance was not material for the year ended 31 March 2025.

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

Significant risks

1. Valuation of council dwellings
2. Management override of controls ^a
3. Valuation of post retirement benefit obligations

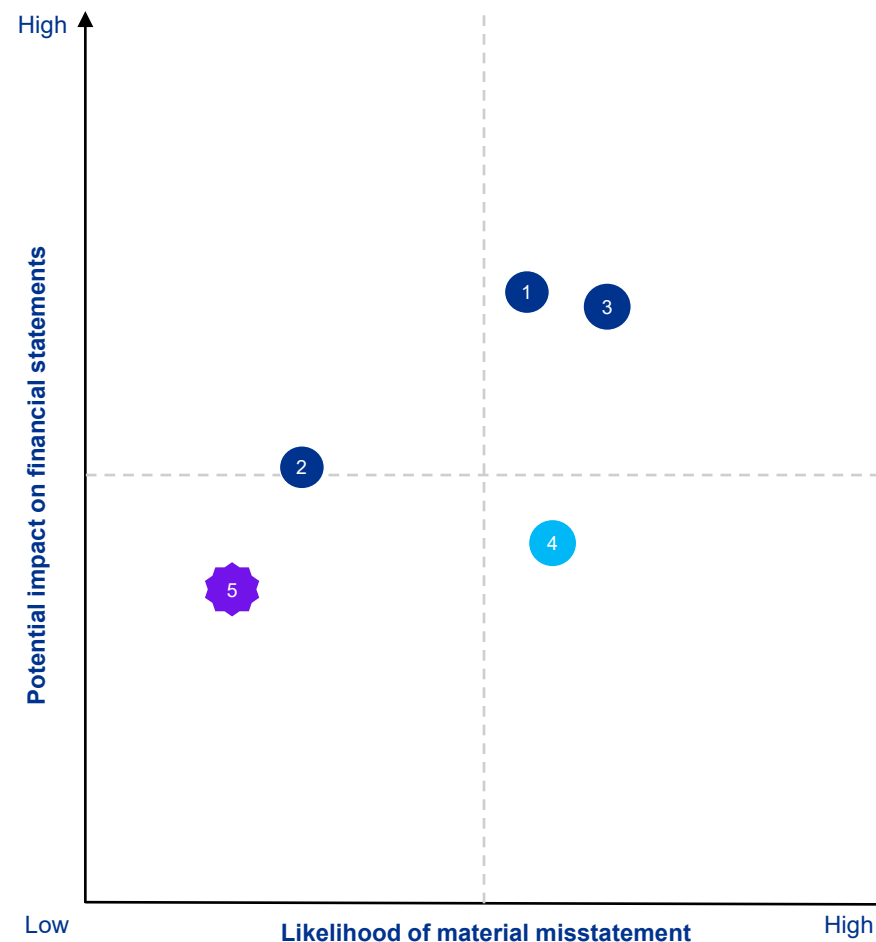
Other audit risks

4. Expenditure recognition
5. Adoption of IFRS 16

Key: # Significant financial statement audit risks

Other audit risk

New audit risk



^a A significant risk that auditing standards require us to assess on all audit engagements. Not always included in the graph except where we have also identified an entity-specific risk of management override of controls

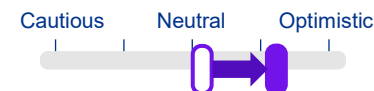
Audit risks and our audit approach



1

Valuation of council dwellings

The carrying amount of revalued council dwellings differs materially from the fair value



Significant audit risk

In accordance with the requirements of the CIPFA Code, council dwellings are subject to a rolling programme of revaluation. Under this programme, approximately 20% of the council dwellings are formally revalued each year, ensuring that all assets within this class are revalued at least once every five years, as required by the Code.

A risk is presented for those assets that are revalued in the year, which involve significant judgement and estimation made by the engaged valuer on the Authority's behalf. This is on account of the judgement involved in the selection of assumptions including but not limited to identification of comparative properties when valuing individual beacons.

The value of the Authority's land and buildings at 31 March 2024 was £2.6bn of which c£1.3bn (value as at 31 March 2025 is c£1.4bn) relates to the valuation of council dwellings where we consider there to be the most significant risk of material misstatement.

Our identification of this risk reflects that the council dwellings make up the largest part of the land and buildings balance, and the valuation approach used means that should an error in valuing a small number of beacons arise, it can have a significant impact on the valuation as a whole.



Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation of the council dwellings:

- We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the valuers used in developing the valuation of the Authority's council dwellings at 31 March 2025;
- We inspected the instructions issued to the valuers for the valuation of council dwellings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation of the council dwellings to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation of the council dwellings and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of council dwellings ; including any material movements from the previous revaluations. We challenged key assumptions within this valuation as part of our judgement;
- We agreed the calculations performed of the movements in value of council dwellings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation of council dwellings.

Key:

0 Prior year 1 Current year



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Document Classification: KPMG Confidential

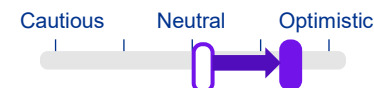
5

Audit risks and our audit approach (cont.)



1 Valuation of council dwellings

The carrying amount of revalued Council Dwellings differs materially from the fair value



Significant audit risk

In accordance with the requirements of the CIPFA Code, council dwellings are subject to a rolling programme of revaluation. Under this programme, approximately 20% of the council dwellings are formally revalued each year, ensuring that all assets within this class are revalued at least once every five years, as required by the Code.

A risk is presented for those assets that are revalued in the year, which involve significant judgement and estimation made by the engaged valuer on the Authority's behalf. This is on account of the judgement involved in the selection of assumptions including but not limited to identification of comparative properties when valuing individual beacons.

The value of the Authority's land and buildings at 31 March 2024 was £2.6bn of which c£1.3bn (value as at 31 March 2025 is c£1.4bn) relates to the valuation of council dwellings where we consider there to be the most significant risk of material misstatement.

Our identification of this risk reflects that the council dwellings make up the largest part of the land and buildings balance, and the valuation approach used means that should an error in valuing a small number of beacons arise, it can have a significant impact on the valuation as a whole.



Our findings

Our work over the valuation of land and buildings is complete.

- Our assessment of management expert Wilks Head and Eve found them to be independent, objective, of appropriate expertise, and that instructions issued for the valuation were appropriate.
- We evaluated the design and implementation of controls in place for management to review the valuation. We found that the assumptions are reviewed by management, however, the review was not performed on a sufficiently detailed and precise level to allow us to rely on the control. Consequently, we concluded that the control was not effective which is in line with the prior period. We note the review is considered adequate by management for their own purposes. See page 33 for detail.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information and no issues were noted.
- The key assumptions used in the valuation were the beacon rates and the adjustment factors applied to these rates. Approximately 20% of the portfolio was subject to a full revaluation based on specific beacon property valuations, while the remaining 80% was indexed using the Housing Price Index (HPI) to reflect market movements. No issues were noted with the Beacon-based valuations. We have validated values against sales data and support for property type with no issues identified in our testing to date. We did not identify any change in assumptions from those adopted in the prior year. Our review of the HPI indexation indicated that, as the Land Registry data is subject to a reporting lag due to the timing of completed sales, the percentage movement for the March year-end had subsequently reduced from the 7.6% used in the valuation to 6.98%. This resulted in the estimate appearing optimistic, though it remains within our acceptable range and in line with our understanding of sector performance.
- We have agreed the journals posted for valuation movements in year to the financial statements. We noted presentational adjustments to the note relating to the mapping of revaluation movements between those recognised in the revaluation reserve and those recorded in the surplus/deficit on the provision of services, which were updated by management.

Key:

0 Prior year 1 Current year



Audit risks and our audit approach



2

Management override of controls^(a)

Fraud risk related to 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 identified a specific risk of management override of controls in relation to HRA reserves. The reserves balance has fallen over the past three years and is under significant pressure. As the Authority is not permitted to be in a HRA fund deficit there is an increased risk of management override which we anticipate could occur by transferring HRA expenditure to the general fund.



Our response

Our audit methodology incorporates the risk of management override as a default significant risk and in response we have performed the following procedures:

- We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- We 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.
- We assessed the appropriateness of changes compared to the prior year in relation to the methods and underlying assumptions used to prepare accounting estimates.
- We assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the entities normal course of business, or are otherwise unusual.
- We analysed all journals through the year using data and analytics and focused our testing on those with a higher risk, such as material journals posted during the final close down period, and unexpected account code combinations which reduce HRA expenditure balances and increase general fund balances.

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

Audit risks and our audit approach (cont.)



2

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

Fraud risk related to 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 identified a specific risk of management override of controls in relation to HRA reserves. The reserves balance has fallen over the past three years and is under significant pressure. As the Authority is not permitted to be in a HRA fund deficit there is an increased risk of management override which we anticipate could occur by transferring HRA expenditure to the general fund.



Our findings

- We evaluated the selection and application of the Council's accounting policies and concluded that these were in line with the 24/25 CIPFA code.
- We identified eleven journal entries and other adjustments meeting our high-risk criteria – our examination is complete, and has not identified unauthorised, unsupported or inappropriate entries to date. However, we did note an immaterial error on a manual journal posted to correct an original error. We have raised a recommendation for this and that has been detailed on page 33.
- We evaluated accounting estimates, including the consideration of third-party specialist reports and did not identify any indicators of management bias. See slide 16 for further discussion.
- There were no significant changes in the conclusion of our audit work over the accounting estimates from the prior year, except our conclusion on for the valuation of council dwellings, which has moved from a neutral to a more optimistic estimate due to updated HPI inflation data applied in the 2024/25 valuation.
- Our procedures did not identify any significant unusual transactions.
- We have identified a control deficiency regarding the timely disablement of oracle system access for leavers, see page 32 for the detailed finding and recommendation.

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

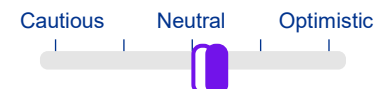
Audit risks and our audit approach



3

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Authority's pension liability could have a significant effect on the financial position of the Authority.

In addition, the Authority's pension memberships are in a net surplus position, leading to judgements being required as to the quantum of any asset ceiling which should be calculated, and hence whether an asset should be recognised on the balance sheet.

The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Authority in completing the year end valuation of the pension deficit and the year-on-year movements.

Continued overleaf...

Key:

Prior year Current year



Our response

We have performed the following procedures:

- Understood the processes the Authority has in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluated the design and implementation of controls in place for the Authority to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Authority's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and
- Assessed the impact of a new triennial valuation model and/or any special events.

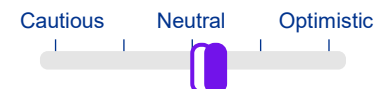
Audit risks and our audit approach (cont.)



3

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

Continued from previous page...

We have identified this in relation to the Lewisham Local Government Pension Scheme. We have not identified the risk in relation to the London Pension Fund Authority liability as its size is small compared to materiality.

In our audit plan we said we would “Assess the impact of a new triennial valuation model and/or any special events, where applicable”. We have not performed this procedure as there was no new triennial valuation model or special events during this financial year.



Our findings

Our work is now complete.

- Actuarial assumptions are assessed by management for appropriateness. However, the review was not performed on a sufficiently detailed or documented basis to allow us to rely on the control. Consequently, we concluded that the control was not effective which is in line with the prior period. We note the review is considered adequate by management for their own purposes. See page 34 for detail.
- We were satisfied with the independence, objectivity and expertise of the fund actuary. Also, basis inquiries performed with LGPS Actuaries, no unusual transactions were noted.
- We considered that the assumptions used in valuing the defined benefit obligation and concluded overall to be balanced compared to our central actuarial benchmarks.
- Individually all assumptions are balanced except mortality future improvements, which is considered as slightly cautious but within our acceptable range. This is because management's specialist considered 1.50% as a long-term trend rate as compared to our central rate of 1.25%.
- There is no change in methodology while setting the actuarial assumptions except for mortality, which is set in line with the most recent triennial funding valuation and allowance for future improvement has been updated from CMI 2022 model to the CMI 2023 model to reflect the latest available industry data. Our actuaries have assessed the change and believe it is reasonable.
- The authority proposed to restrict the entire surplus to nil. We agree with the restriction of the surplus on the grounds that the estimated future service cost in each period, less the estimated minimum funding contributions for future service in those period as per IFRIC 14.20(b). This results in an additional liability of net £9.519k plus unfunded liability of £40,452k being recognised at 31 March 2025.
- We have verified the cashflow data which is used within the calculation of the DBO and noted a variance of £1.5m in benefits paid. See page 31 for details.

Conclusion

We note the overall liability to be balanced. We are satisfied that we have obtained sufficient appropriate audit evidence to address this risk.

Key:

Prior year Current year



Audit risks and our audit approach



4 Risk of error from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not completely identified and recorded



Other audit risk

Whilst the Authority is faced with increasing demand for services the financial position of the Authority, whilst under pressure in specific areas, is not indicative of a position that would provide an incentive to manipulate expenditure recognition. We have therefore rebutted the presumed fraud risk over expenditure recognition.

We have retained a risk of error due to the directorate structure of the Authority and the decentralised approach to processing year-end accruals.



Our response

We have performed the following procedures in order to respond to the risk identified:

- We inspected a sample of invoices of expenditure, in the period around 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete; and
- We selected a sample of year end accruals and inspected evidence of the actual amount paid after year end, where settled, and other supporting information in order to assess whether the accrual exists and has been accurately recorded.

Audit risks and our audit approach (cont.)



4 Risk of error from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not completely identified and recorded



Other audit risk

Whilst the Authority is faced with increasing demand for services the financial position of the Authority, whilst under pressure in specific areas, is not indicative of a position that would provide an incentive to manipulate expenditure recognition. We have therefore rebutted the presumed fraud risk over expenditure recognition.

We have retained a risk of error due to the directorate structure of the Authority and the decentralised approach to processing year-end accruals.



Our findings

- Our testing of accruals and expenditure is now complete and no issues were identified at the time of writing this report.
- Our cut-off testing did not identify any expenditure which had been recorded in the incorrect period.
- Our comparison of current year to prior year accruals did not identify any differences which could not be corroborated.

Audit risks and our audit approach



5

Adoption of IFRS 16

An inappropriate amount is estimated and recorded for lease liabilities and right of use assets



Other audit risk

The Authority has adopted IFRS 16 as per CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (2024-25) with an implementation date of 1 April 2024.

We anticipate the following challenges in the first year of implementation:

- Completeness of lease listing used in transition computation;
- Inadequate lease disclosures as per IFRS 16;
- Inaccurate computation of lease liabilities and right of use assets; and

The nature of these challenges can result in the potential for material errors in the accounting entries used to record the transition.



Our response

We have performed the following procedures in order to respond to the risk identified:

- Obtained the full listings of leases and reconciled to the general ledger.
- Reviewed a sample of the lease agreements to determine the terms of the leases and confirm correct classification.
- Reviewed the appropriateness of the discount rate used in the lease computations.
- Reviewed the transition adjustments passed by the Authority to ensure they have been implemented in line with the requirements of the CIPFA Code; and
- Reviewed the disclosures made on the financial statements against requirements of IFRS16.

Audit risks and our audit approach (cont.)



5

Adoption of IFRS 16

An inappropriate amount is estimated and recorded for lease liabilities and right of use assets



Other audit risk

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We anticipate the following challenges in the first year of implementation:

- Completeness of lease listing used in transition computation;
- Inadequate lease disclosures as per IFRS 16;
- Inaccurate computation of lease liabilities and right of use assets; and

The nature of these challenges can result in the potential for material errors in the accounting entries used to record the transition.



Our findings

Our work is now complete.

- Our reconciliation of the full listings of leases to the general ledger identified no issues.
- Our work on the sample of the lease agreements to determine the terms of the leases and to confirm correct classification is now complete and no issues noted.
- Our work on the transition adjustment focused on verifying the completeness and accuracy of lease data brought forward at 1 April 2024. We reviewed management's reconciliation between the closing IAS 17 lease schedules and the IFRS 16 opening balances, including recalculation of lease liabilities and right-of-use assets.. We did not identify any errors in our sample of leases and agreed the lease terms back to the contracts.

Key accounting estimates and management judgements – overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Valuation of Council Dwellings		1,473.6	110		<p>Our work over the assumptions underlying the valuation has not identified any other significant differences compared to our expectations. The estimate has moved from a neutral to a more optimistic estimate due to HPI inflation data applied in the 2024/25 valuation, see page 7 for detail.</p> <p>We considered the disclosures to be acceptable.</p>
Valuation of defined benefit obligation (gross)		1,444	(218)		<p>We did not identify any issues with the assumptions underpinning the valuation. Overall, the DBO estimate has been found to be balanced except mortality that is considered as cautious but within reasonable range</p> <p>We considered the disclosures to be acceptable.</p>

Key:
 Prior year Current year

Other significant matters



Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Authority's internal control.

We identified three significant control deficiencies in our testing; management review of actuarial assumptions and management review of instructions to the valuer and due the level of precision required for a management review control remains open from FY24, however we have not raised a formal recommendation for these two in FY25 as we deem the existing process to be acceptable for management. An additional finding with regards to the coding of journals has been raised this year.

Restatement of HRA reserves and impact of prior year adjustment

The Authority had approved the Building for Lewisham Programme (the Programme) for the development of new build works for the HRA. The Programme was financed through a combination of capital grants, capital receipts, and external borrowing, with external borrowing planned to fund the majority of the expenditure. During 2020/21 and 2021/22, given the level of reserves and the cost of borrowing at the time, the Authority's Treasury Management Strategy (TMS) indicated that the borrowing strategy would maintain a lower external borrowing position by utilising reserves, balances, and cash as alternative funding sources to meet Programme costs. It was intended that this internal borrowing would be replaced by external borrowing as and when the cost of borrowing reduced, in line with the TMS flexibilities.

Internal borrowing by the HRA did not impact the level of HRA reserves or the HRA Capital Financing Requirement (CFR), which measures the HRA's need to borrow to meet capital expenditure. However, in 2020/21 and 2021/22, the Authority had erroneously recorded revenue contributions to capital outlay of £13.9m and £26.6m respectively, reducing the HRA CFR in each of those years. This issue was identified in 2025/26 following an investigative review to determine whether it was possible to reverse the use of HRA revenue reserves, increase external borrowing, and redirect HRA resources to key disrepair works.

Following discussions with the KPMG technical team, it was agreed that, as the Authority had always intended to meet this expenditure from borrowing and had incorrectly recognised revenue contributions in prior years, a prior-year adjustment would be posted to reverse these revenue contributions. Accordingly, this correction was posted to the opening balance of reserves as at 1 April 2023.

As a result of this adjustment, HRA reserves at 1 April 2023 increased by £39.5m, while General Fund reserves decreased by £1.0m due to the higher level of internal borrowing from the General Fund. The Capital Adjustment Account balance also increased by £40.5m, and the Capital Financing Requirement increased by the same amount. Corresponding amendments were made to the interest payable and receivable lines in the 2024/25 CIES.

The comparative Balance Sheet, CIES, MIRS, CAA, CFR, HRA I&E, and other relevant disclosures were restated to reflect these adjustments.

Significant difficulties

We have not encountered any matters which led to significant difficulties in performing the audit.

Quality and timeliness of information prepared by management/those charged with governance

In our view, the quality of information:

- supported our ability to understand key decisions better and obtain sufficient audit evidence
- enabled informed challenge of management decisions
- supported audit quality and better disclosure.

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 Audit and Risk 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.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We are yet to receive instructions from NAO regarding WGA.

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.

Audit fees

Our scale fee for the 2024/25 audit, as set by PSAA is £513,332 plus VAT (£480,763 plus VAT in 2023/24).

We have also completed non audit work at the Authority during the year on Housing benefit grant certification and VAT and have included in appendix 2, confirmation of safeguards that have been put in place to preserve our independence.

01

Value for money

Value for Money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified no risks of a significant weakness in the Authority's arrangements to secure value for money. We have no recommendations in relation to any significant weakness to report for the year ended 31 March 2025.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail is set out in our Auditor's Annual Report.

Performance improvement observations

As part of our work we have identified one performance improvement observation. Our performance improvement observations are suggestions for improvement but not responses to identified significant weaknesses – see page 26.

Value for Money: Prior year recommendations



Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

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.

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of November 2025
1	During 2023/24, the HRA budget was overspent by £6.1m, driven primarily through reoccurring pressures on the cost of repairs, and the level of reserves stood at £7.4m at the year end which is below the target level of 10% of rental and service charge income. This therefore reduces the ability of the Authority to respond to unexpected events. Whilst work has been undertaken during 2023-24 and a 30 year recover plan has been developed to help improve the HRA reserve position the arrangements in place have been insufficient in identifying and delivering short term recurrent savings at the value required to help ensure financial sustainability and there is a risk to the HRA reserve in 2024/25. The Authority should continue to monitor the HRA position closely to ensure reserves are sufficient, especially in light of the Repairs Transformation Programme and history of HRA reserves depleting significantly. The Authority should ensure it has a robust short to medium term strategy in place to replenish reserve and reduce reliance on non-recurrent measures. This should include reporting to the relevant committees and meetings, where those charged with governance can provide challenge on whether the plans continue to be realistic.	<p>The Council acknowledges that the HRA financial position continues to remain finely balanced throughout 2024/25 and into 2025/26, and requires careful and regular monitoring to ensure that its agreed recovery plans are delivered. This acknowledgement formed part of the rationale underpinning the approach to the Ministry of Housing, Communities and Local Government in October 2024 to inform them of the position and to share the recovery plan.</p> <p>The 30 year business model refreshed in preparation for the 2025/26 budget setting demonstrates the long term sustainability of the HRA, and this will be supported by more immediate action plans to ensure that the assumptions underpinning the modelling are realistic and deliverable, including the planned building back of reserves balances to target levels.</p> <p>This will be tracked through the regular reporting of financial performance to the Housing Transformation Programme Board, Executive Management Team, Housing and Public Accounts Select Committees and Mayor and Cabinet. This reporting will include the overall financial position of the HRA, but also importantly the delivery of permanent cost reductions over the next two years to ensure that repairs and maintenance budgets and spend align, and that any reliance on once off measures can be unwound.</p> <p>Owner: Director of Finance and Executive Director of Housing</p> <p>Deadline: April 2025</p>	<p>HRA reserves were topped up to £18.6m in 2024/25 which is now above the recognised level of 10% of rental and service charge income. This is at a sufficient level to enable the Authority to respond to unexpected events.</p> <p>In addition, the Authority has undertaken work during the year to update the 30 year business model, which reflects some of the progress that the Authority has made in terms of its short and medium term plans.</p>

Value for Money: Prior year recommendations (cont.)



#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Update as of October 2025
2	❗	<p>In October 2023 the Authority brought back in house the management of its social housing stock from its wholly owned subsidiary Lewisham Homes Limited. The Authority subsequently self-referred to the Regulator of Social Housing in December 2023 due to identifying a failure to meet statutory health and safety requirements in some of its homes, including overdue fire remedial actions and repairs. The regulator concluded that the Authority is not meeting the required outcomes of the Decent Homes Standard.</p> <p>The Authority has developed rectification plans which have included commissioning a stock condition survey. To date it has identified that approximately 24% of the Authority's homes are not meeting the Decent Homes Standard.</p> <p>Whilst a number of actions are being taken in response to the issues identified, the Authority did not have the appropriate monitoring arrangements in place prior to bringing the management of the social housing stock back in house to fully understand the extent of the issues associated with its council dwellings.</p> <p>We note that the extent of the stock condition issues were not identified until after services had transferred back into the Council. As a result of this, we recommend that the Authority puts in place an ongoing, business as usual monitoring framework to ensure that future problems are identified on a timely basis and can be acted upon promptly.</p>	<p>The Council fully recognises the importance of a robust monitoring framework for its housing stock condition. The increasingly complex legislative and compliance framework which social landlords need to adhere to and operate within has necessitated increased grip.</p> <p>The service has a number of Key Performance indicators and performance indicators which it collects and considers however there have been clear failings in the oversight and progressing improvement actions where these are identified. The service is, and continues, to do the following actions to improve data management, performance reporting, governance and oversight.</p> <p>The service has invested and is embedding information technology including core systems for tenancy data and property data. This investment either being embedded in the service (tenancy) or procured (property). This investment will support the service access tenancy and property data swiftly and support analysis and performance reports. The service has reviewed its Performance indicators and is reviewing its key performance indicators to ensure both service areas and leadership is able to make timely decisions based on the most appropriate information which is presented in a format that is easy to assimilate and supports timely and robust decision making.</p> <p>The housing service has introduced greater governance through Director led Transformation Boards and Performance Boards. These boards meet with a frequency that ensures underperformance is identified swiftly and corrective action can be taken and likewise that success can also be noted and learning from this embedded. The service continue to undergo change and is investing significantly in training and supervision to ensure service standards continue to improve.</p> <p>Owner: Executive Director for Housing</p> <p>Deadline: April 2025</p>	<p>There has been a significant move forward in the stock condition survey this year with 87% now accessed and 17% not meeting Decent Homes Standard (compared to c25% as at 31 March 2024). The Authority now has a good understanding of the condition of its stock and has plans in place to address the remaining issues. The Repairs Transformation Board has been in place for more than 18 months, regular Cabinet briefings are undertaken on the Authority's performance in relation to stock and quarterly reports go to Mayor and Cabinet.</p>

Value for Money: Performance improvement observations



The performance improvement observations raised as a result of our work in respect of identified or potential significant value for money risks in the current year are as follows:

Priority rating for observations		
1	Priority one: Observations linked to issues where, if not rectified, these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	
2	Priority two: Observations linked to 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: Observations linked to 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	<p>During the time period between our value for money risk assessment work and this report, the Housing Ombudsman published a special investigation report into the Authority. This report considered cases which were determined between July and October 2024 and had five emerging themes including hazards, communication with residents, contract management, knowledge and information management and systems.</p> <p>The actions against hazard management were already in progress following on from the self-referral to the Regulator in 2023-24, including the ongoing Housing Transformation Programme and assessment of preparedness for Awaab's Law. The planned implementation of the new repairs system in November 2025 is hoped to improve communication with residents and a new information management was approved by Mayor and Cabinet on 22 October 2025, however, the recommendation to consider developing a communication strategy is yet to be completed. There has been a shift in the proportion of in-house repairs vs contractors to increase in-house repairs and the Authority has an action to evidence minutes of contractor meetings and challenge to contractors on performance. In regards to complaints handling, all staff who handle complaints have now been through training including how to complete an investigation.</p> <p>The Authority recognises it still has some work to do to fully address the issues raised in the report and in response, the Authority has created an action plan in response to the recommendations raised by the Housing Ombudsman for monthly monitoring meetings and plan to map these actions into existing workstreams to ensure progress is tracked in the longer term. We recommend that the Authority formalises this plan and appropriately map the planned actions to ensure appropriate governance and oversight of the progress made.</p>	<p>The Council acknowledges the significant impact that failures in our housing services have had on residents. The cases highlighted in the Ombudsman's report are a crucial reminder of the importance of getting the basics right – safe, decent homes and respectful, timely service. Since the cases examined in the report (July-October 2024), we have taken decisive steps to address the underlying issues, and we appreciate the Ombudsman's recognition of the improvement work already underway.</p> <p>The Council recognises that in order to ensure that the recommendations from the Housing Ombudsman special investigation report are sustainably delivered and embedded, they need to sit within existing well established and managed improvement workstreams. With this in mind an action plan that addresses all of the recommendations has been developed and will form part of the Housing Improvement Plan which is discussed with the Regulator of Social Housing on a monthly basis.</p> <p>The inclusion of this as part of the regular reporting and discussion will ensure that there is regular review and progress reporting on this.</p> <p>Officer: Executive Director for Housing, deadline April 2026</p>









Appendix

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Required communications

Type		Response
Our draft management representation letter		In addition to the standard representations in the 2024/2025 management representation letter, we have requested for an additional representation related to the prior year adjustment and restatement affecting the HRA reserves due to the reversal of the revenue contribution to capital for the Building for the Lewisham Programme.
Adjusted audit differences		There were seven adjusted audit differences. See page 30-31.
Unadjusted audit differences		The aggregated surplus impact of unadjusted audit differences would be nil at the time of writing this report, see page 31 for details on the unadjusted difference noted. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate.
Related parties		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		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		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.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts		No actual or suspected fraud involving Authority 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		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		No significant difficulties were encountered during the audit.
Modifications to auditor's report		None
Disagreements with management or scope limitations		The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information		No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence		No matters to report. The engagement team and others in the firm, as appropriate, the firm have complied with relevant ethical requirements regarding independence.
Accounting practices		Over the course of our audit, we have evaluated the appropriateness of the Authority'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		There were no significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete		<p>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.</p> <p>We will issue our certificate once we have received confirmation from the National Audit Office that all assurances required for their opinion on Whole of Government Accounts have been received.</p>

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 (£)	2023/24 (£)
London Borough of Lewisham - statutory audit	513,332	480,763
Agreed fee variations – ISA (UK) 315 (Revised)	TBC*	67,472
Lewisham Homes	70,000	94,000
TOTAL	583,332*	642,235

Our scale fee for our audit of the Pension Fund is £95,905.

*We anticipate subsequent fee variations due to the additional audit effort and consultation required for the approval of the prior year audit restatement of the accounting for the reversal of revenue contribution to HRA reserves for the previous year, area of audit focus for the IFRS16 transition and the ISA600 revised changes to the group scoping. We have not yet calculated the additional audit hours to be presented to management.

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- Non-audit fees have been incurred for the housing benefit grant certification that have been agreed with management.

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 and Risk Committee members

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

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/directors 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 and that the safeguards we have applied are appropriate and adequate 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

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

Confirmation of Independence (cont.)



Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2025 £000	Value of Services Committed but not yet delivered £000
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none">Standard language on non-assumption of management responsibilities is included in our engagement letter.The engagement contract makes clear that we will not perform any management functions.The work is performed after the audit is completed and the work is not relied on within the audit file.Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	n/a	36

Confirmation of Independence (cont.)



Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.1 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2024/25
	£'000
Audit of the Authority financial statements	513
Audit of the Pension Fund financial statements	96
Audit of subsidiaries – Lewisham Homes	70
Other assurance services	36*
Total Fees	715*

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

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 Audit and Risk Committee.

Confirmation of audit independence

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

This report is intended solely for the information of the Audit and Risk Committee of the Group 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



Uncorrected and corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Risk Committee with a summary of 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. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor’s report, individually or in aggregate.

As communicated previously with the Audit and Risk Committee , details of all adjustments greater than £1m are shown below:

Corrected audit misstatements (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
2023/24 – Prior years adjustment (PYA)				
1	Capital Adjustment Account HRA Revenue		40,467 (40,467)	Reverse Financing of Housing Capital Programme LH (HRA RCCO Contribution) for 2020/21 and Housing HRA Development Programme LH (HRA RCCO Contribution) for 2021/22
2	GF Revenue - Financing and Investment Income and Expenditure HRA Revenue - Financing and Investment Income and Expenditure	125 (125)		Additional Internal Borrowing Charge from GF to HRA (2023/24) and Additional Interest Earned from Investment on HRA Balances (2023/24)
3	HRA - Transfer to Reserves HRA Reserves	125	 (125)	Reverse Financing of Housing Capital Programme LH (Amend from Revenue to Borrowing) and Net Additional Investment Income from GF to HRA (2023/24)
4	GF Reserves GF - Transfer from Reserves		1,144 (1,144)	Net Additional Investment Income from GF to HRA (2023/24) and Net additional Interest Charged from GF to HRA for Borrowing (2020/21 to 2022/23)
2024/25 – Current year				
5	GF Revenue - Financing and Investment Income and Expenditure HRA Revenue - Financing and Investment Income and Expenditure	57 (57)		Additional Internal Borrowing Charge from GF to HRA (2024/25) and Additional Interest Earned from Investment on HRA Balances (2024/25)
6	HRA - Transfer to Reserves HRA Reserves GF Reserves GF - Transfer from Reserves	57 (57)	 (57) 57	Net additional Interest Earned from Investment on HRA Balances (2024/25)



Uncorrected and corrected audit misstatements (cont.)



Corrected audit misstatements (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
7	Dr Debtors (Lewisham Homes)		17,397	Amendment for VAT owed to HMRC for a historic issue with the payment of Lewisham Homes invoice that has now been settled with HMRC in 2024/25.
	Dr Corporate provisions		90	
	Cr Creditors (HMRC)		(17,487)	
8	Dr Debtors		1,499	When performing the Credits on Debtors Ledger, KPMG identified several balances in negative position. As such, a presentational audit misstatement has been identified, to reflect the true nature of the balances.
	Cr Creditors		(1,499)	

Uncorrected audit misstatements (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Defined Benefit Obligation		(£1,545)	The fund actuary has used estimated benefits paid while calculating the DBO and DBA liability. An independent confirmation is obtained and noted actual funded benefits are £62,383k as compared to estimated £63,928k. A variance of £1,545k has been noted.
	Cr Defined Benefit Assets		£1,545	

We have also identified updates required to disclosures within the financial statements –

- Remuneration report – officers' remuneration misstatement in banding of salaries
- Update to Note 10(b) revaluation reserve classification between categories
- Contingent liabilities note
- Update to the expected credit loss disclosure note
- Update to Note 27 - external audit fee note
- One missing pensions disclosure and minor updates to other pensions disclosures

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	<p><i>Timely disablement of system access for leavers</i></p> <p>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.</p> <p>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.</p> <p>As a result, we were unable to obtain direct system-generated evidence confirming that no access occurred after the employee's exit.</p> <p><i>Risk:</i></p> <p>Failure to promptly revoke system access increases the risk of unauthorized access, data leakage, or misuse of organisational resources after employment termination.</p> <p><i>Recommendation:</i></p> <p>Management should enhance the leavers' access management process to ensure that:</p> <ol style="list-style-type: none">1. All leaver accounts are disabled within one business day of termination.2. System-generated audit evidence (rather than editable downloads) is retained to confirm last login and disablement activity.3. HR provides IT with a daily leavers report to trigger timely action.4. Quarterly monitoring is performed by Information Governance to verify compliance and evidence quality, with exceptions reported to management.	<p>We acknowledge the recommendation regarding the process to disable leavers' system access in a timely manner.</p> <p>To address this issue, we will:</p> <p>1 - 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.</p> <p>2 - 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.</p> <p>3 - 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.</p> <p>4 - additional monitoring and reporting of the performance against these controls will be carried out in 2025/26.</p>

Control Deficiencies

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	1	<p><i>Errors in subjective coding when posting journal entries</i></p> <p>During testing of the Income Management system, we noted that manual inputs are required to assign income codes to transactions. These codes are not automatically validated, increasing the potential for human error, such as selecting incorrect codes or misallocating income between cost centres. One instance was identified where an incorrect code was applied and subsequently posted to the General Ledger before being identified and corrected. While the financial impact was not material, this indicates weaknesses in the effectiveness of existing compensating controls.</p> <p><i>Risk:</i> Inaccurate coding of income can lead to misstatement of financial results and reduced accuracy of internal management reporting. If such errors remain undetected, this may impair decision-making and could result in additional time spent investigating and correcting balances during financial close periods.</p> <p><i>Recommendation:</i> Management should consider implementing validation checks or automated coding rules where possible, or introduce a formal review process for income journal entries prior to posting to the General Ledger. Additional training or guidance may also help ensure greater consistency of coding across staff.</p>	<p>We acknowledge the recommendation regarding implementing validation checks for income journal entries. To address this issue, we will:</p> <ul style="list-style-type: none"> Review the automated processes within the Income Management system for all automatic matching of income received to general ledger codes to ensure they are current and accurate. Provide additional training and guidance to all finance staff to ensure greater consistency of coding across all areas. Provide additional training and guidance to all finance staff to check coding across all areas when carrying out monthly budget monitoring reviews and year-end closedown processes.
3	3	<p><i>FAR to GL reconciliation - review and preparation is not performed in a timely manner</i></p> <p>During walkthrough procedures over the Fixed Asset Register (FAR) to General Ledger (GL) reconciliation process, it was noted that there is no formal documented review of this reconciliation by the Senior or Chief Accountant. Management indicated that a review had been completed; however, this occurred after the draft financial statements were issued and audit work had already commenced. Therefore, the review was not performed on a timely basis.</p> <p><i>Risk:</i> Late review increases the risk that errors or discrepancies between the FAR and GL remain unidentified at year-end, potentially leading to misstatement of asset balances and delays during the financial reporting process.</p> <p><i>Recommendation:</i> Management should implement a formal schedule to ensure the FAR to GL reconciliation is prepared and reviewed prior to the preparation of draft financial statements. Evidence of review should be retained to support oversight and accountability.</p>	<p>We acknowledge the recommendation regarding implementing a formal schedule to ensure the FAR to GL reconciliation is prepared and reviewed prior to the preparation of draft financial statements. To address this issue, we will:</p> <ul style="list-style-type: none"> Put the dates for the preparation and review of the FAR to GL reconciliation into the formal Closing Timetable to ensure these are carried out prior to the preparation of draft financial statements.

Control Deficiencies

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
4	2	<p><i>Annual leave accrual balance</i></p> <p>During our testing of annual leave accruals, we selected a sample of employees and agreed their annual leave balances back to the HR/time recording system. For one individual, the balance per the report used for the accrual calculation did not agree to the balance held on the system at the time of testing. We noted that the balance had been updated after the report had been generated, resulting in a small and immaterial difference in the accrual amount.</p> <p><i>Risk:</i></p> <p>Where leave balances are updated after the accrual report is generated, there is a risk that the annual leave accrual may not reflect the most up-to-date and correct entitlement. Although the difference identified was immaterial, if not addressed on a timely basis, this could lead to misstated payroll or employee liability balances, particularly during peak leave periods or if multiple changes occur close to period end.</p> <p><i>Recommendation:</i></p> <p>Management should establish a control to ensure that annual leave balances used for accrual calculations are taken from a final cut-off report after all relevant adjustments have been processed. Alternatively, a post-run review process could be implemented to identify and adjust for any significant updates made to the system after report generation.</p>	<p>We acknowledge the recommendation regarding establishing a control to ensure that annual leave balances used for accrual calculations are taken from a final cut-off report after all relevant adjustments have been processed.</p> <p>To address this issue, we will:</p> <ul style="list-style-type: none">• Include a a post-run review process to identify and adjust for any significant updates made to the system after report generation. To do this we will run an additional report close to completing the draft financial statements and check for any changes from the original report used. We will then adjust for any material changes.



Control Deficiencies (cont.)

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

Total number of recommendations		Number of recommendations implemented	Number outstanding (repeated below):	
12		7	3 (2 residual) - TBC	
#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (Nov 25)
1	1	<p>Declaration of interest forms</p> <p>During our testing of related party transactions, we identified that declarations of interest had not been completed in the year by six officers.</p> <p>Whilst we were able to perform alternative procedures to provide comfort over the completeness and accuracy of the related party disclosures in the financial statements, there is a potential that interests are not known to the Authority and are missed.</p> <p>We recommend that the Authority introduce a process of monitoring return of the declarations on an annual basis, including steps for following up missing declarations for completion with officers where applicable.</p>	<p>We acknowledge the recommendation regarding the process for monitoring the return of officers' declarations of interests.</p> <p>To address this issue, we will:</p> <p>Introduce a process for identifying which officers need to complete a declaration of interest on annual basis based on grade or job title.</p> <p>We will send communications to these officers and advise them of the deadline date for completion and then follow this up with chases and potential escalation for those who do not comply with the deadline date.</p> <p>This work will be required to be completed to enable the Council to prepare the disclosures for the 2024/25 accounts so will need to be carried out by April 2025.</p> <p>Officer: Terence Madgett/ Emma Campbell Smith</p> <p>Due Date: Apr-25</p>	<p>Status – Closed.</p> <p>The Council has performed a full refresh of declarations required for the 2024/25 financial year. Communication was sent out to all senior employees (based on grade and job title) by the Director of Finance to advise them of the need to complete a declaration. Clear guidance on the definition of interests and related parties was provided. Those that hadn't completed them by the deadline have been chased by Core Accounting.</p>
2	2	<p>Management review and challenge of valuation instructions and report</p> <p>Our work over the PPE process did not identify a suitable control to be assessed as a management review control in line with the auditing standards.</p> <p>Whilst we understand that meetings were held with the Authority's valuers to discuss the scope of the valuation and a with WH&E, this process was not evidenced.</p> <p>We recommend that in the future, formal records are maintained and followed up with correspondence confirming the instructions. We also recommend that ahead of the next revaluation, a paper should be approved by Council or the appropriate Committee which covers the valuation approach. This can then feed into the instructions issued to the valuers and ensures that those charged with governance are aware of and satisfied with the approach.</p>	<p>We acknowledge the auditor's recommendations regarding the need to enhance the formal documentation and governance processes associated with the review and challenge the valuation instructions and reports for PPE.</p> <p>To address this issue, we will ensure that meetings held with the Council's valuers to discuss the scope and approach of the valuation are documented. This will include meeting minutes and correspondence confirming instructions provided to the valuers.</p> <p>Prior to the next revaluation, a paper outlining the proposed valuation approach will be prepared and presented to the relevant governance body i.e. the Audit and Risk Committee during 2024/25. This will include key consideration such as assumptions, methodologies, and any significant judgements to be applied during the valuation process. Following the governance approval, the agreed valuation approach will be documented in the instructions provided to the valuers to ensure consistency and alignment with approved procedures.</p> <p>Officer: Steve Sellers/ Terence Madgett</p> <p>Due Date: Apr-25</p>	<p>Status : We have assessed the review process now undertaken however there is a lack of detailed precision required to meet the management review control requirements as defined by Auditing Standards. As such, we have not placed reliance on the operation of these controls and performed a fully substantive approach to our testing. We consider the Authority's existing process to be appropriate for their management accounting purposes and proportionate to address the associated risk, as such we have not raised another recommendation over this finding.</p> <p><u>Update from Authority</u> - Report was discussed and noted by the Audit and Risk Committee on 18-March-25</p>

Control Deficiencies (cont.)

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (Nov 25)
3	2	<p>Management review of actuarial assumptions</p> <p>Auditing standards define a management review control to include independent assessment of underlying assumptions by management.</p> <p>As part of our risk assessment procedures, we carried out a walkthrough to obtain an understanding of the pension assumption review process. We identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, although they do review the output of the actuary, there is no evidence of the review. Thus, there is not sufficiently well-defined process in place for it to meet the criteria of an effective review control.</p> <p>We recommend that management document the outcome of their annual review, including taking this to a relevant committee, to demonstrate appropriate challenge of the assumptions underlying the valuation. This should include demonstrating their view of their own assumptions to compare to those provided by the management expert.</p>	<p>We acknowledge the findings and recommendations regarding the management review of actuarial assumptions. We agree that that robust and well-documented review process is essential to ensure the integrity and reliability of the actuarial assumptions underpinning the valuations.</p> <p>To strengthen our control, we will document the outcomes of our annual reviews more comprehensively. This will include an explanation of how the assumptions provided by the actuary were reviewed, assessed and either accepted or challenged.</p> <p>As part of improving the transparency and providing an additional level of assurance the results of the actuarial assumption reviews will be presented to the Audit and Risk Committee during 2024/25.</p> <p>Officer: Katharine Nidd</p> <p>Due Date: Apr-25</p>	<p>Status : We have assessed the review process now undertaken however there is a lack of detailed precision required to meet the management review control requirements as defined by Auditing Standards. As such, we have not placed reliance on the operation of these controls and performed a fully substantive approach to our testing. We consider the Authority's existing process to be appropriate for their management accounting purposes and proportionate to address the associated risk, as such we have not raised another recommendation over this finding.</p> <p><u>Update from Authority</u> - Report was discussed and noted by the Audit and Risk Committee on 18-March-25</p>
4	2	<p>Overpayment of leavers</p> <p>We identified one leaver form in a sample of 25 that was not submitted on a timely basis by the service department to payroll, resulting in a salary payment to the leaver after their leave date.</p> <p>We have confirmed that management are following up on debt collection for late leaver adjustments.</p> <p>We recommend that the process for notifying payroll of a leaver is reiterated to relevant service department staff, including recognition of timely notification.</p>	<p>We acknowledge the auditor's findings regarding the delayed notification of leavers forms, which resulted in the overpayment of a leaver. We also note the recommendation to reiterate and strengthen the process for notifying payroll of leavers in a timely manner.</p> <p>The current process exists, and the primary issue is staff not following it properly or promptly. There is a programme to review the process to streamline it, and we will seek to ensure that this is more widely communicated and that senior managers seek to get better compliance from their services.</p> <p>Officer: Shida Ashrafi/ Katharine Nidd</p> <p>Due Date: Jun-25</p>	<p>Status – Considered closed.</p> <p><u>Update from Authority</u> - The process of notifying payroll of a leaver was reiterated to relevant service department staff as part of various events over the summer. The Head of Payroll and Pensions monitors all the leaver notifications to payroll and writes to all the managers/ senior managers if there is a late notification.</p>

Control Deficiencies (cont.)

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (Nov 25)
5	2	<p>Retention and maintenance of lease agreements</p> <p>In a sample of 15 lease agreements selected for testing, nine of the agreements could not be located. Whilst alternative documentation was provided, the missing lease agreements could result in a risk if a dispute or disagreement over terms occurred.</p> <p>We also note that IFRS 16 lease disclosures are required for the Authority in 2024/25. Incomplete information about lease arrangements will make the disclosure more challenging to prepare in an accurate and complete manner.</p> <p>We recommend that management perform an exercise to understand the extent of missing lease arrangements, and, where material, consider the value of creating updated documentation. We also recommend that management review their policy for document retention of leases including where they should be stored, including a regular review of the information for completeness.</p>	<p>We acknowledge the auditor's findings regarding the retention and maintenance of lease agreements, as well as the potential risk this poses for disputes or incomplete IFRS 16 disclosures.</p> <p>To address this issue, we will:</p> <p>Undertake a comprehensive review to locate and consolidate any missing lease agreements. Review and enhance our lease documentation retention policy, including defining roles and responsibilities for maintaining records.</p> <p>Establish regular reviews to verify the completeness and accuracy of lease related documentation. Additionally, we will ensure the accurate and complete IFRS 16 disclosures are prepared for the 2024/25 financial statements. A lot of this work will be required to be completed to enable the Council to prepare the disclosures for the 2024/25 accounts so will need to be carried out by April 2025.</p> <p>Officer: Steve Sellers/ Terence Madgett/ Legal</p> <p>Due Dates: Apr-25 for Notes to the 2024/25 accounts and Dec-25 for the comprehensive review.</p>	<p>We received all leases we requested for our 2024-25 testing which was on based on a sample.</p> <p><u>Update from Authority</u> - Work has continued during 2025/26 to ensure that the Council has up to date documentation for all leases (under the definitions included in IFRS 16), and that these agreements are renewed as appropriate. More work is still needed in this area. A review was carried out to verify the completeness and accuracy of lease related documentation. This was specifically to ensure that the data required for the IFRS 16 disclosures was accurate and complete.</p>
6	2	<p>IFRS 16 Pre-Implementation Disclosures</p> <p>The Authority has not included complete IFRS 16 pre-transition disclosures in the draft financial statements Whilst they have included acknowledgement of the upcoming change in the standard, according to IAS 8, the disclosure should include a discussion of the estimated impact the introduction of new standards will have on the financial statements. If a reasonable estimate cannot be made due to data limitations, this fact should be disclosed.</p> <p>While the lack of quantitative disclosures in the 2023-24 financial statements is not considered an omission, given the standard's effective date of April 1, 2024, it is expected that management should be well advanced In their quantitative impact assessment for the 2024-25 financial statements.</p> <p>There is a risk that delaying this assessment could lead to errors, insufficient review time, and potentially material misstatements. Management should ensure that the quantitative impact assessment is schedules and completed promptly, allowing sufficient time for review and challenge before positing transition adjustments.</p>	<p>We acknowledge the recommendation regarding the inclusion of IFRS 16 Pre-implementation disclosures in the draft financial statements. We recognise the importance of addressing this requirement to ensure compliance with IAS 8 and to provide stakeholders with clear information about the expected impact of IFRS 16 on the council's financial statement.</p> <p>To address this issue, we will:</p> <p>Commit to completing an impact assessment of IRFS 16, quantifying the anticipated effects on our financial position, performance, and lease related disclosures.</p> <p>Ensure that qualitative disclosures are prepared to explain the anticipated effects of IFRS 16, including areas where estimates are not yet available.</p> <p>Develop and execute a detailed plan for full implementation of IFRS 16.</p> <p>This work will be required to be completed to enable the Council to prepare the disclosures for the 2024/25 accounts so will need to be carried out by April 2025.</p> <p>Officer: Steve Sellers/ Terence Madgett/ Legal</p> <p>Due Date: Apr-25</p>	<p>Status – Closed.</p> <p><u>Update from Authority</u> - An impact assessment of IFRS 16 was carried out to determine the amount of work involved and where the data required was to be obtained from. The methodology for the valuation of each lease under IFRS 16 was discussed and decided upon, with professional valuers employed where required. A detailed plan was developed and executed to enable the Council to fully implement IFRS 16 into the 2024/25 draft accounts. This was helped by the extension of the statutory deadline for publishing the draft accounts by 1 month (to 30 June 2025).</p>



Control Deficiencies (cont.)

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (Nov 25)
7	2	<p>Related parties process</p> <p>The process performed by management to create the related parties disclosure in the financial statements does not include a step for assessing whether an interest declared by a relevant member does or does not meet the definition of a related party.</p> <p>The risk is over-disclosure of interests which are not related party transactions.</p> <p>We recommend that this step is introduced as part of the financial statements preparation process. We also recommend that the definition of related parties is regularly communicated to members to allow them to add more clarity to their declared interests to make this assessment possible.</p>	<p>We acknowledge the recommendation regarding the process for related party disclosures and the need to ensure that interest declared by members are assessed against the definition of a related party to avoid over -disclosure.</p> <p>To address this issue, we will:</p> <p>Re-introduce a formal process as part of the financial statement preparation to assess whether declared interests meet the definition of a related party. This will include a validation process to review and confirm the appropriateness of related party disclosures to be included in the financial statements.</p> <p>Continue to provide clear guidance to members on the definition of related parties.</p> <p>This work will be required to be completed to enable the Council to prepare the disclosures for the 2024/25 accounts so will need to be carried out by April 2025.</p> <p>Officer: Terence Madgett/ Emma Campbell Smith</p> <p>Due Date: Apr-25</p>	<p>Status – Closed.</p> <p>Our review of the related party process for 24/25 noted that the process had been formalised.</p> <p><u>Update from Authority</u> - We have re-introduced a formal process as part of the financial statement preparation to assess whether declared interests meet the definition of a related party. We have reviewed all Councillor and Officer declarations and checked if the Council has entered into and transactions with all declared interests. Also this has included a validation process to review and confirm the appropriateness of related party disclosures to be included in the financial statements.</p>
8	3	<p>Staff costs amendments</p> <p>We identified one amendment form in a sample of 25 which was not completed. This introduces a risk of error in amendments being made, and does not demonstrate appropriate authorisation of changes.</p> <p>We recommend that the Authority reiterates to all relevant employees the process for completing amendment forms, including in which situations this is likely to be needed. This could be through a form of training course.</p>	<p>We acknowledge the auditor's findings regarding the incomplete amendment from within the sample reviewed. We recognise the importance of ensuring that all amendment forms are completed accurately and appropriately authorised to minimise the risk of errors and unauthorised changes.</p> <p>To address this, we will:</p> <p>Reiterate the process of completing amendment forms by issuing updated guidance for relevant staff. Conduct target training sessions to improve staff awareness of the importance of completing forms accurately and in a timely manner. Introduce periodic reviews of amendment forms to monitor compliance and address gaps.</p> <p>Explore the introduction of additional controls such as mandatory fields or checklist, to ensure forms are completed and authorised properly before submission. There is currently a project ongoing that is concerned with reviewing various forms that are used for processes and how the processes for completing, submitting and processing these can be improved in terms of efficiency and control. This work is ongoing and will be completed during 2025.</p> <p>Officer: Sherene Russell-Alexander</p> <p>Due Date: Sep-25</p>	<p>Status – Considered closed.</p> <p><u>Update from Authority</u> - The team carried out additional investigative work on the specific issue identified by the audit. The findings relate to an agency worker record. Managers cannot change agency workers hours through Oracle self-service; however, they could request a change in the working hours via Hornbill: the change would be limited to the agency worker record on Oracle, have no impact on payroll or on the worker's ability to submit timesheets. This is not a frequent scenario; managers would not need to complete an amendment/ authorisation form to process the change. This has been communicated to relevant employees. We have reiterated the process of completing amendment forms via various communications to relevant staff. We will continue to explore the introduction of additional controls within the forms and as part of the submission process during 2025.</p>

Control Deficiencies (cont.)

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (Nov 25)
9	3	<p>Corporate credit card approval process</p> <p>During our testing of journal entries, we identified one journal The journal was an automatic posting a feeder entry from the Authority's credit card system. However, the error was not identified in the Authority's credit card feeder review process.</p> <p>We recommend that managers responsible for the automatic feeder journals implement and perform an effective monthly review of the journal entry before it is submitted for posting to the general ledger, including checking that the account codes included in the journal are appropriate.</p>	<p>We acknowledge the recommendation regarding the process for reviewing the coding of corporate credit card transactions.</p> <p>To address this issue, we will:</p> <p>Strengthen the review and approval process for corporate credit card transactions by providing additional guidance and training around what is expected of the cardholders and approvers.</p> <p>We will also introduce a process for spot checking transaction coding by the Corporate team responsible for processing the feeder files.</p> <p>We will also communicate with service accountants regarding the need to double check the coding of corporate credit card transaction as part of the month budget monitoring and yearly accounts closedown processes.</p> <p>This work will be required to be completed to enable the Council to accurately code the 2024/25 credit card transactions so will need to be completed by May 2025.</p> <p>Officer: Terence Madgett</p> <p>Due Date: May-25</p>	<p>Status – Considered closed.</p> <p><u>Update from Authority</u> - We have strengthened the review and approval process for corporate credit card transactions by providing additional guidance and training around what is expected of the cardholders and approvers. This has been by face-to-face training sessions and the re-sharing of the roles and responsibilities of the cardholders and approvers. The processing of the feeder files will be more timely in 2025/26 (i.e. closer to the end of the month in which the transactions were processed). This allows the service accountants to check the coding of the transactions on a monthly basis and correct any miscodings. We will aim to continue to improve the reviewing processes by Core Accounting spot checking more transactions as the 2025/26 year progresses.</p>
10	3	<p>Reliance on specific individuals</p> <p>Our audit procedures identified reliance on a small number of key individuals with sufficient knowledge to provide audit evidence to the team. This introduces a business continuity risk for the team with potential impact on operations if a key individual were to leave the Authority.</p> <p>We recommend the Authority revisits its business continuity procedures to confirm they are satisfied with the level of protection they are maintaining, including cover arrangements in the case of absence and appropriate documented process steps to be followed.</p>	<p>We acknowledge the recommendation regarding the reliance on a small number of key individuals with specialist knowledge, which introduce a potential business continuity risk of the council. Ensuring operational resilience and continuity is a priority for us.</p> <p>To address this, we will:</p> <p>Continue to introduce a structured process for documenting key processes and procedures to ensure that knowledge is shared and is easily accessible.</p> <p>Implement cross training for staff to build capacity and reduce dependence on specific individuals.</p> <p>Review and strengthen our business continuity procedures to ensure robust contingency plans are in place including cover arrangements.</p> <p>Formalise handover and shadowing procedures for critical roles to ensure smooth transitions and continuity.</p> <p>Officer: Katharine Nidd</p> <p>Due Date: Jun-25</p>	<p>Status – Closed.</p> <p>We consider this to have been resolved for 2024/25 with the recruitment of a Financial Accountant.</p> <p><u>Update from Authority</u> - For the critical Financial Accountant role, the permanent recruitment was completed on 01 July 2025 and the person has now been in post for over 4 months. With the experience of the Chief Accountant and as this is a permanent appointment it greatly reduces the risk of the reliance on specific individuals. There is a consistent approach to document retention and storage and the use of SharePoint and Teams with clearly defined access and permissions means that information is available to the appropriate people whilst the integrity of the data is safeguarded. We have procedure notes for all key processes, which again are readily accessible and where there are small teams we very clearly manage planned absence to ensure that there is business continuity. For all critical roles we would ensure that there is continuity via either permanent recruitment or interim staff to ensure any disruption and risk was minimised.</p>



Control Deficiencies (cont.)

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (Nov 25)
11	3	<p>PFI scheme monitoring of lifecycle replacement costs</p> <p>During our testing of PFI contracts we identified a lack of record keeping of monitoring of PFI arrangements and difficulty by the Authority obtaining detailed information from PFI contractors about work completed, in respect of lifecycle replacement costs.</p> <p>We would expect management to understand the work being completed to ensure the Authority is receiving the services paid for and at the required standard.</p> <p>We understand that the Authority is introducing a review into PFI contracts which are expiring in the next 18 months including a full survey of works to be completed.</p> <p>We recommend that a monitoring control is introduced for other PFI arrangements to include documented checks of works completed being to the required standard for the Authority on a regular (annual) basis.</p>	<p>We acknowledge the recommendation regarding the monitoring and documentation of lifecycle replacement costs under PFI arrangements. We recognise the importance of ensuring that all works are completed to the required standard and that the Authority receives the full value from its contracts.</p> <p>To address this, we will:</p> <p>Collaborate with PFI contractors to improve communication and ensure timely submission of detailed information on completed works. Ensure that the relevant service users are included in providing feedback as to the completeness and quality of the works, e.g. schools, and ensure that the monthly contract monitoring meetings include the requirement to regularly report on any snagging or defects following works.</p> <p>Officer: Exec Directors for CYP, Place and Housing.</p> <p>Due Date: December 2025</p>	<p><u>Update from Authority</u> - There is improved scrutiny of lifecycle works, both pre and post works delivery, and this includes scrutiny and review by the SPV and its technical advisors before agreeing on any drawdown of the lifecycle funds by the sub-contractor. There is further enhanced monitoring of the housing PFI as part of the preparation and engagement for the expiry of this contract.</p> <p>Streetlighting PFI: The service provider provides information for completed annual programme works in respect of lifecycle replacement works. The client monitoring team carry out their own checks to ensure works are completed at the required standard. This information is captured in the Monthly Payment Report which is agreed prior to each meeting by the PFI Contract Manager and the service providers Operations manager.</p> <p>Brockley PFI: No later than 31st January each year the Repairs and Maintenance Contractor responsible for providing lifecycle works provides the PFI Contractor and the Authority with a programme of lifecycle works planned for the coming financial year. The programme includes cyclical maintenance, and replacement works and provides details of the works to be undertaken with associated timescales. The PFI Contactor is responsible for monitoring and managing the programme of lifecycle works to ensure the programme is being adhered too and that works are carried out to the required standard in accordance with the contract. All works undertaken must now be verified and signed off by the PFI Contractor prior to the lifecycle contractor receiving payment.</p>
12	2	<p>Aged creditor balances</p> <p>The Council has significant credit balances on Council Tax and NNDR accounts due to residents and businesses. These balances have remained outstanding for several years.</p> <p>The Council need to take action to repay these creditors. In the instance where the residents or businesses cannot be traced and the legal time limits have expired, the Council should write back these amounts.</p>	<p>Resident and Business Services</p> <p>Action will take place during Summer to proactively contact customers where details are held to refund these sums. Where contact is not made, the amounts will be written off. Should customers contact Lewisham at any time, we will write back the credit and raise a refund</p> <p>All write off balances will be reported to the Director of Finance for review and approval.</p> <p>The project commenced in June-23 with more to follow during the year.</p>	<p><u>Update from Authority</u> - Action was taken throughout 2023/24 and 2024/25 to contact customers and refund sums owed. There was also a significant amount of historic creditors written off and credited to reserves.</p>

FRC's areas of focus

The FRC released their **Annual Review of Corporate Reporting 2023/24** ('the Review') in **September 2024** having already issued three thematic reviews during the year.

The Review and thematic reviews identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.



Key expectations for 2024/25 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and Council/Authority-specific.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continues to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the Council/Authority's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.



FRC's areas of focus (cont.)



Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent Council/Authority investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the '[Offsetting in the financial statements](#)' thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a Council/Authority is also applying the CIPFA Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and Council/Authority specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Council/Authority should ensure sufficient explanation is provided of material financial instruments, including Council/Authority -specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the Council/Authority. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

FRC's areas of focus (cont.)

Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover Council/Authority - specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

Strategic report

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the Council/Authority.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts – Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:



Industrial metals and mining



Construction and materials



Food producers



Retail



Gas, water and multi-utilities



Financial Services

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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