

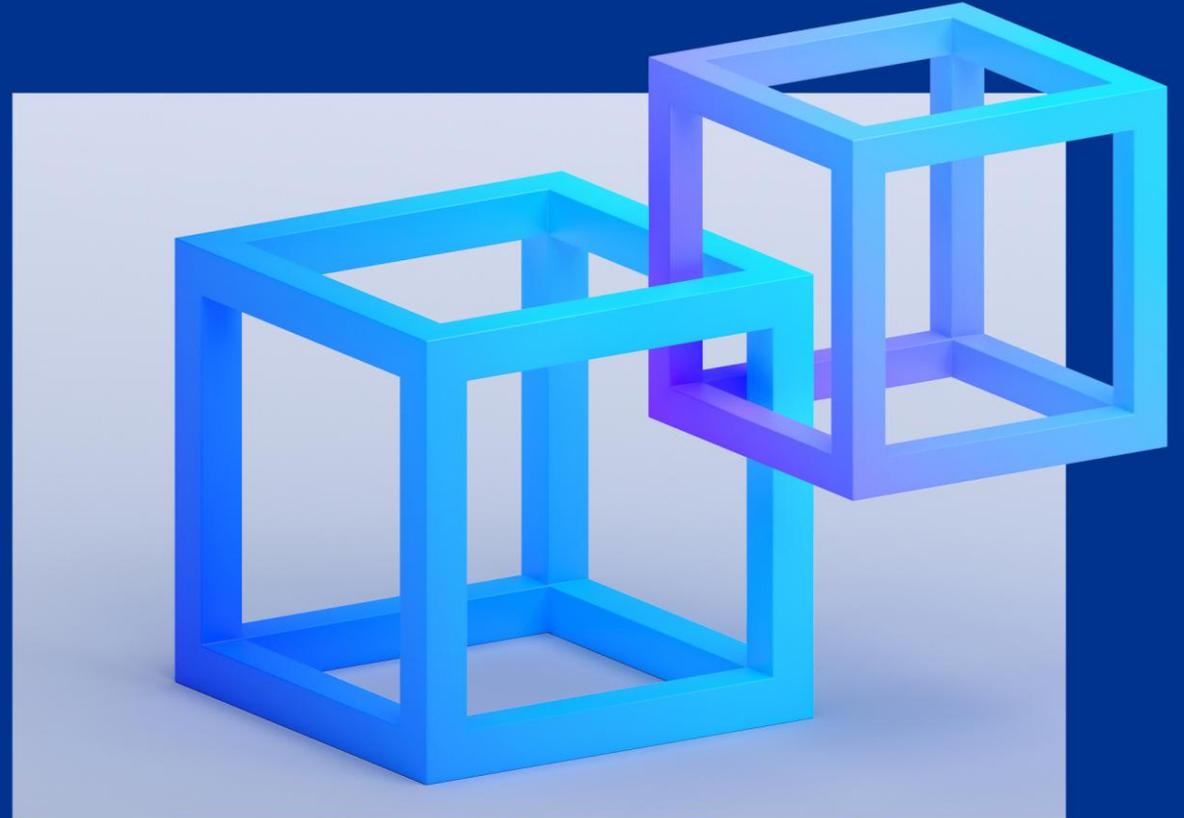


Borough of Broxbourne

Year End Report to the Audit & Standard Committee

Year end report for the year ended 31 March 2025

February 2026



Introduction

To the Audit and Standards Committee of Borough of Broxbourne

We are pleased to have the opportunity to meet with you on 23 February 2026 to discuss the findings and key issues arising from our audit of the financial statements of Borough of Broxbourne (the 'Council') and its subsidiaries (the 'Group'), as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 25 June 2025. We will be pleased to elaborate on the matters covered in this report when we meet. We will issue a final version of this report once our audit is complete.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

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

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

The engagement team

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit report on the approval of those statement of accounts and auditor's representation letter on 27 February 2026, provided that the outstanding matters noted on Page 8 of this report are satisfactorily resolved.

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

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

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,



Richard Walton

16 February 2026

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Richard Walton (Richard.Walton@KPMG.co.uk), the engagement lead to the Authority, who will try to resolve your complaint.

If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler. (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: [Complaints](#).

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Important notice



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

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

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Borough of Broxbourne for the year ended 31 March 2025.

This Report has been prepared for the Council's Audit and Standards 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.

Limitations on work performed

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

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

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

Status of our audit and the implications of the statutory backstop

Page 4 'The statutory backstop and rebuilding assurance' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified findings as reported in our report.

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 7 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

The statutory backstop and rebuilding assurance



Background

The Government has introduced measures to resolve the legacy local government financial reporting and audit backlog.

Last year, amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which introduced the requirement for audit reports in respect of any open, incomplete audits up to the period ending 31 March 2023 to be published by 13 December 2024. It also introduced a statutory back stop date of 28 February 2025 for the 2023/24 audit. For the Council this had the impact of disclaimer of opinion issued by your predecessor auditor in 22/23 financial year. We issued a disclaimer of opinion for 2023/24 to comply with the statutory backstop date for the reasons set out in our Basis of Disclaimer Opinion below.

In addition, we identified material uncorrected misstatements in the financial statements, which we reported in our audit report.

Work has been ongoing in the sector to develop guidance to help support appropriate audit procedures for audits where further work is required to build back assurance. In addition to Local Audit Rest and Recovery Implementation Guidance (LARRIGs) that were published in 2024 by the NAO, further guidance has now been published by the NAO LARRIG) 06 - Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions (e.g reserves balances where a disclaimer has been previously issued). We note the LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

The 2023/24 audit

In our *Basis of Disclaimer Opinion* section of our audit report in 2023/24 we reported:

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas were: property, plant and equipment; investment properties; long term debtors; short term debtors; short term creditors; long term creditors and provisions; other operating expenditure; revaluation losses on property, plant and equipment; fees, charges and other service income; changes in fair value of investment properties; capital grants and contributions and the movements in usable and unusable reserves for the year ended 31 March 2024 in relation to both the Group and the Authority.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Group's and the Authority's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Group's and the Authority's net assets and the split between usable reserves and unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on their income and expenditure and cash flows for the years then ended.

The 2024/25 audit

On Page 6, we set out what work we have been able and not been able to complete in respect of the 2024/25 financial statements as being able to audit the closing balance sheet is an essential element of rebuilding assurance.

In addition, during the 2024/25 audit we have started our rebuilding assurance risk assessment. Once this is complete, we will report separately the findings along with the period of time we will take to complete this work if the findings indicate it is possible to rebuild assurance.

The statutory backstop and rebuilding assurance



The 2024/25 audit (continued) -impact on our audit report on the financial statements

Given our work to rebuild assurance is not complete and due to the statutory backstop date of 27 February 2026, we have determined that there is insufficient time to obtain sufficient appropriate audit evidence over the split of useable and unusable reserves as at 31 March 2025 or 31 March 2024 ahead of the backstop, and, in our view, this is pervasive to the Council's financial position as at 31 March 2025.

Further to this there are a number of areas of the financial statements where we have determined we will be unable to obtain sufficient appropriate audit evidence, as we will be unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These are detailed on page 6.

As a result of the pervasiveness of the above, we intend to issue a disclaimer of opinion on the financial statements as a whole

Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion on the financial statements as a whole, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Council's Value for Money arrangements, specifically we are responsible for reporting if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We also provide a summary of our findings in the commentary in this report.

Page 22 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2024/25.

The statutory backstop and rebuilding assurance



Work completed in 2024/25

Our audit plan presented to you in 25 June 2025 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks in the pages overleaf, identifying the work we have and have not been able to complete.

Although we expect to issue a disclaimer of, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report. Our audit is not yet complete. The status below sets out the current status of our work. We will provide an oral update on the status. Our conclusions will be discussed with you before our audit report is signed.

Specifically in relation to 2024/25 we have completed our work on the following areas in addition to our planning and risk assessment work:

Significant risks

- Valuation of post-retirement benefit obligations
- Expenditure classification (REFCUS)
- Capitalisation of revenue expenditure

Other areas

- Interest and investment income & expenditure
- Government grants, Capital grants and contributions
- Intangible assets
- Cash and cash equivalents, Short term investments and Borrowings
- Other operating expenditure, Employee Expenses
- Fees, charges and other service income, Income from council tax and business rates

We have been unable to complete our work on a number of areas, including, but not limited to the following areas:

- Split of usable and unusable reserves for the year ended 31 March 2025
- Work associated with significant risks on:
 - Management override of controls;
 - Valuation of investment property; and
 - Valuation of land and building
- Other work areas:
 - Other grants and contributions
 - Debtors and creditors

Challenges with progressing work

Matters which led to challenges in performing the audit included delays in management providing required information and the quality of audit evidence.

Number and scale of issues identified

A failure to address these issues (along with the results of the rebuilding assurance risk assessment) will have a significant impact on the timescale to rebuild assurance or whether rebuilding assurance is possible under the current guidance.

We are in process of considering the impact on our audit fees as a result of these challenges.

We will work with management in advance of the 2025/26 audit to ensure these are addressed where possible.

Our audit findings



| Significant audit risks | Page 9 - 18 |
|--|---|
| Significant audit risks | Our findings |
| Valuation of land and buildings | We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area |
| Valuation of post retirement benefit obligations | We completed our planned procedures, and we did not identify any material misstatements relating to this area. |
| Management override of controls | We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area. |
| Valuation of investment property | We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area. |
| Expenditure classification (REFCUS) | We completed our planned procedures, and we did not identify any material misstatements relating to this area. |
| Capitalisation of revenue expenditure | We completed our planned procedures, and we did not identify any material misstatements relating to this area |

| Uncorrected Audit Misstatements | Page 28 | |
|---|------------------------|---|
| Understatement/ (overstatement) | [£m] | % |
| Revenues | - | - |
| Surplus for the year | (0.3) | - |
| Total assets | (0.3) | - |
| Total taxpayers' equity | - | - |
| Disclosure Note | | |
| Misstatements in respect of Disclosures | | |
| Misstatement in respect of Disclosures | Our findings | |
| Disclosure | No reportable findings | |

| Number of Control deficiencies | Page 30 |
|--|---------|
| Significant control deficiencies | 0 |
| Other control deficiencies | 5 |
| Prior year control deficiencies remediated | 3 |

Outstanding matters

There are a number of outstanding matters we need to allow us to sign our audit report, including

- Management representation letter
- Finalise audit report and sign

The audit file is subject to final internal quality reviews and completion of final procedures linked to the final signed version of accounts.

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 Borough of Broxbourne operates.

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

In the pages overleaf we have reported the work we have completed on significant risks and other audit risks. Where work has not been completed in line with page 6 and 7 – we have not re-produced the slides that we presented in the audit plan.

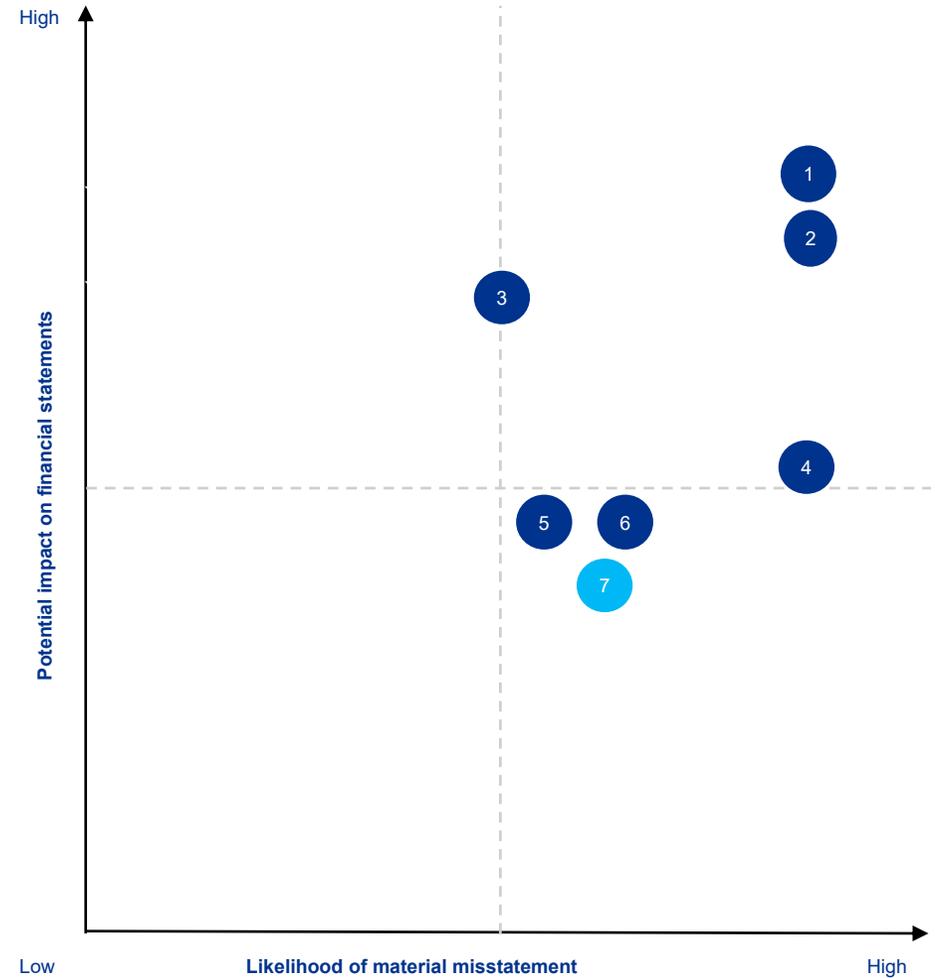
Significant risks

1. Valuation of land and buildings
2. Valuation of investment property
3. Valuation of post retirement benefit obligations
4. Management override of controls
5. Expenditure classification(REFCUS)
6. Capitalisation of revenue expenditure

Other audit risks

7. Adoption of IFRS 16

- Key:**
- # Significant financial statement audit risks
 - # Other audit risk
 - # Key audit matter



Audit risks and our audit approach



1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five-year cycle.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the Property Services Manager and external valuers (Colliers and Wilks Head & Eve).



Our response

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

- We critically assessed the independence, objectivity and expertise of Colliers and Wilks Head & Eve, the valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement.

We have not fully completed our planned procedures and have been unable to obtain sufficient and appropriate audit evidence in response to this matter. Therefore, we are disclaiming our audit opinion on the financial statements. We are still required to identify our audit findings based on the work performed. See page 38 for more information.:

Audit risks and our audit approach



2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at 31 March 2024, the Council had investment properties with a total value of £130m. This balance is £126m as at 31 March 2025.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.



Our response

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

- We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the external valuers used in developing the valuation of the Council's investment property at 31 March 2025;
- We inspected the instructions issued to the valuers 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 to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenge key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and

Audit risks and our audit approach



2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at 31 March 2024, the Council had investment properties with a total value of £130m. This balance is £126m as at 31 March 2025.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.



Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- The management review of fixed asset register to general ledger reconciliation did not detect a difference of £73k between the external valuation report and the Council's asset register.
- We have made recommendations in relation to the process undertaken by management – see page 32 for more information.
- The external valuer did not adjust the valuations for purchases costs whereas they used market evidence which had been analysed on a 'net yield' basis. Failing to do this, meant that yields were not being applied 'like for like' with the market evidence which tends to inflate the value above the level indicated by the evidence.
- Valuation workings were provided for the internally generated assets which did not fully document the approach on the internal valuation process including methodology, assumptions and underlying data.

Due to the timing of the backstop we have been unable to complete our work in this area and as such we are disclaiming our audit opinion in relation to this matter.

Audit risks and our audit approach



3 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 not identified any specific additional risks of management override relating to this audit.



Our planned response

Our audit methodology incorporates the risk of management override as a default significant risk. Our planned response was to:

- Evaluate the selection and application of accounting policies.
- Evaluate the design and implementation of controls over journal entries and post-closing adjustments.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business or are otherwise unusual.
- Test the operating effectiveness of controls over journal entries and post-closing adjustments.
- Analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final close down.

Audit risks and our audit approach



3 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 not identified any specific additional risks of management override relating to this audit.



Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed.

- Through walkthroughs, we obtained an understanding of the financial reporting process.
- We reviewed the Trial balance mapping to the financial statements. No issues noted.
- We performed completeness testing for the journal entries processed in the year. No issues noted.
- We tested controls over management approval of journals. No issues noted.
- We performed screening of the journal population focusing on; unusual expenditure combinations; unusual debits or credit entries to cash and unusual debits or credit entries to Income.

Due to time constraints linked to the backstop we were unable to complete our work on journals testing and have disclaimed our audit opinion.

Audit risks and our audit approach



4 Valuation of post retirement benefit obligations (cont.)

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 Council's pension liability could have a significant effect on the financial position of the Council.
- 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 Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our response

We have performed the following procedures :

- Understood the processes the Council have 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 Council 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 Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Where applicable, assessed the level of surplus that should be recognised by the entity; and
- Assessed the impact of a new triennial valuation model and/or any special events, where applicable.

Audit risks and our audit approach



4 Valuation of post retirement benefit obligations (cont.)

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 Council's pension liability could have a significant effect on the financial position of the Council.
- 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 Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our findings

We have confirmed that the Fund's appointed actuaries, both individual and firm, hold appropriate professional qualifications, being Fellows of the Institute of Actuaries (UK), and are therefore suitably qualified to perform actuarial valuations and prepare IAS19 disclosure reports.

The actuarial methodology applied in the current year is consistent with the prior year and aligns with the council's reporting framework. We have reviewed the key actuarial assumptions adopted by council and compared them to KPMG Central Rates. Overall, the assumptions are considered balanced. While the CPI inflation assumption is cautious than KPMG Central Rates, however it remains within KPMG's reasonable range.

We have performed testing over key input data used in the Defined Benefit Obligation (DBO) valuation, including benefits paid and contributions. No material exceptions were noted, and the data was found to be materially accurate.

The scheme reports a net surplus of £32.57 million as at 2025 (2024: £26.02 million). We have assessed the appropriateness of the accounting treatment of this surplus under IFRIC 14. This included evaluating management's rationale and the supporting assessment by KPMG actuaries. We concur with the conclusion reached, which is consistent with the prior year's treatment.

We acknowledge Management reviews the actuarial assumptions following advice from an external actuarial specialist however the control does not meet the stringent requirements as defined by the FRC in its auditing standards; the review control lacks precision and is not documented and therefore the design is not considered to be an effective control.

Audit risks and our audit approach



5 Fraud risk from expenditure recognition – capitalisation of expenditure

Revenue expenditure is incorrectly accounted for as capital additions due to fraud



Significant audit risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

The Council has a statutory duty to balance their annual budget. Where a Council/entity does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget. This is not a desirable outcome for management.

Given the context of significant pressures on funding and demand faced by councils in the sector the size of the Council's capital programme provides an opportunity for inappropriate capitalisation of revenue expenditure.



Our response

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

- Evaluated the design and implementation of controls for classifying project's expenditure as capital.
- We reviewed the capital programme for schemes which indicate they are of a revenue nature; and
- We tested capital expenditure incurred by the Council to ensure it is correctly capitalised.

We have no matters to report as a result of these procedures

Audit risks and our audit approach



6 Capitalisation of revenue expenditure - REFCUS

Revenue expenditure is incorrectly accounted for as revenue expenditure funded from capital under statute due to fraud



Significant audit risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

The Council has a statutory duty to balance their annual budget. Where a Council/entity does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget. This is not a desirable outcome for management.

Given the context of significant pressures on funding and demand faced by councils in the sector the size of the Council's revenue expenditure funded by capital (REFCUS) provides an opportunity to incorrectly classify revenue expenditure.



Our response

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

- We evaluated the design and implementation of controls for applying capital to fund revenue expenditure;
- We reviewed the capital programme for schemes which indicate they are of a revenue nature; and
- We tested a sample of revenue expenditure funded from capital to ensure it has been appropriately classified within the requirements.

We have no matters to report as a result of these procedures

Audit risks and our audit approach



6 Adoption of IFRS 16

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



Other audit risk

- The Council 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 impact in the first year of implementation.

- Completeness of lease listing used in transition computations.
- Inadequate lease disclosures as per IFRS 16.
- Inaccurate computation of lease liabilities and right of use assets.
- Training needs for new/existing staff



Our response

Our initial review led to us concluding that there was no risk of material mis-statement relating to this change in accounting policy

Significant audit misstatements



Given we are disclaiming our audit opinion as described on pages 5 and 6 there may be other audit misstatement our audit procedures would have identified if we completed our audit procedures as initially planned.

Management has approved the correction of the audit misstatements detailed on page 29 and they are reflected in the draft financial statements. A summary of the uncorrected audit misstatements is detailed on page 29.

The misstatements identified, and their estimated financial impact on the (surplus), are summarised in the table on the right.

In line with ISA (UK) 450 we request that you correct uncorrected misstatements.

- If the uncorrected factual audit misstatements were posted, they would decrease the surplus in the CIES by £350k
- A detailed summary of corrected and uncorrected audit misstatements and omissions and errors in disclosure is included in the appendix .

| Audit misstatements | Type | £m | Comment |
|----------------------------------|---------|------|---|
| Trial balance | | | |
| Corrected misstatements | | | |
| - | - | - | - |
| Uncorrected misstatements | | | |
| FV adjustment erroneous posting | Factual | 0.07 | When posting the balances, on one asset, the NRV was taken from the valuation report and not the gross value. This was noted as an error. |
| Erroneous VAT refunds | Factual | 0.28 | Erroneously recorded VAT refund due from HMRC. Corrected post YE in May 2025 |

Disclosure

| Matter | IAS/IFRS ref | Comment |
|------------------------|--------------|---------|
| No reportable findings | - | - |

Other matters

Narrative report

As Audit and Standards 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.

Our responsibility is to read the other information, which comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon and, in doing so, consider whether, based on our financial statements audit work, the other information is materially misstated or inconsistent with the financial statements or our audit knowledge.

Due to the significance of the matters leading to our disclaimer of opinion, and the possible consequential effect on the related disclosures in the other information, whilst in our opinion the other information included in the Statement of Accounts is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.

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.

Broxbourne are below the testing thresholds and so we have completed the required procedures

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. A fully up to date summary is shown on page 26.

Audit Fees

We have set out audit fees, as set by PSAA and fee variations on page 25.

Our PSAA 2024/25 audit scale fee for the audit was £169k (£153k 2023/24).

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



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 Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within our audit report 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

Our commentary on arrangements is detailed in our annual auditors report which was reported to the Audit Committee in November 2025. An updated version of this report will be issued at the completion of our audit. No matters have arisen which will alter the content of our public commentary since it was initially published.

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

As noted on the right, we have identified no risk of a significant weakness in the Council’s arrangements to secure value for money.

Performance improvement observations

As part of our work we have not identified any Performance Improvement Observations.

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

| 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 |





Appendix

Contents

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Required communications



| Type | Response |
|--|--|
| Our draft management representation letter | <input checked="" type="checkbox"/> OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025 |
| Adjusted audit differences | <input checked="" type="checkbox"/> OK There were nil adjusted audit differences with a surplus impact of £0 million. |
| Unadjusted audit differences | <input checked="" type="checkbox"/> OK The aggregated surplus impact of unadjusted audit differences would be £0.3m. 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. See page 28. |
| Related parties | <input checked="" type="checkbox"/> OK There were no significant matters that arose during the audit in connection with the entity's related parties. |
| Other matters warranting attention by the Audit Committee | <input checked="" type="checkbox"/> OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process. |
| Control deficiencies | <input checked="" type="checkbox"/> OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated. |
| Actual or suspected fraud, noncompliance with laws or regulations or illegal acts | <input checked="" type="checkbox"/> OK No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit. |
| Issue a report in the public interest | <input checked="" type="checkbox"/> OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters. |
| Whole of government accounts | <input checked="" type="checkbox"/> OK As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack. |

| Type | Response |
|---|---|
| Significant difficulties | <input checked="" type="checkbox"/> OK No significant difficulties were encountered during the audit |
| Modifications to auditor's report | <input checked="" type="checkbox"/> X Our audit opinion will be disclaimed. See page4 for further details. |
| Disagreements with management or scope limitations | <input checked="" type="checkbox"/> OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit. |
| Other information | <input checked="" type="checkbox"/> OK No material inconsistencies were identified related to other information in the statement of accounts. |
| Breaches of independence | <input checked="" type="checkbox"/> OK No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence. |
| Accounting practices | <input checked="" type="checkbox"/> OK Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate. |
| Significant matters discussed or subject to correspondence with management | <input checked="" type="checkbox"/> OK There were no significant matters arising from the audit that were discussed, or subject to correspondence, with management. |
| Certify the audit as complete | <input checked="" type="checkbox"/> X We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. We will issue our certificate once we have received confirmation from the National Audit Office that their audit of the Whole of Government Accounts is complete and therefore all our work in respect of the Authority's Whole of Government Accounts consolidation pack is complete. |

Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the table below (note all fees are exclusive of VAT).

| Entity | 2024/25 (£'000) | 2023/24 (£'000) |
|--|-----------------|-----------------|
| Scale fee as set by PSAA | 169 | 153 |
| Amount of scale fee to be charged for the work completed | - | - |
| Housing Benefits Assurance | - | 29 |
| ISA 315 | - | 10 |
| ISA 240 | - | 5 |
| ISA 600 | 1.0 | - |
| IFRS 16 | 2.5 | - |
| TOTAL FEE PAYABLE | 172.5 | 197 |

As per PSAA's Scale Fees Consultation, the fees do not include the costs involved in responding to:

- Any additional work in relation to significant risks identified as part of the Value for Money risk assessment; or
- Any additional work required as a result of the disclaimed prior year opinions

Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

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

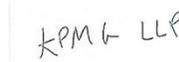
There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

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 Director 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

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 Director and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of [entity name]

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.

We are satisfied that our general procedures support our independence and objectivity [except for those detailed below where additional safeguards are in place.

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

Summary of non-audit services

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period. Total fees charged by us for the period ended 31 March 2025 can be analysed as follows.

| | 2024/25 |
|--|------------|
| | £'000 |
| External audit service | 169 |
| Certification of grant claims and returns* | 192 |
| Total Fees | 361 |

*work undertaken by other auditors appointed directly by the Council and not those of the auditors appointed to undertake the financial statements review.

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 for the periods 2021-22, 2022-23, 2023-24 and 2024-25 | 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 | 192 | - |

Uncorrected audit misstatements



Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported uncorrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit & Standards 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 & Standards Committee, details of all adjustments greater than £72k are shown below:

| Uncorrected audit misstatements (£'000s) | | | | |
|--|---|-----------------------|--------------------------------|---|
| No. | Detail | CIES Dr/(Cr) £'000 | Balance Sheet Dr/(Cr) £'000 | Comments |
| 1 | Dr Investment Property | 73 | | When posting the balances, on one asset, the NRV was taken from the valuation report and not the gross value. This was noted as an error. |
| | Cr Changes in fair value of investment properties | - | (73) | |
| 2 | Dr Expenditure | 277 | | Erroneously recorded VAT refund due from HMRC. Corrected post YE in May 2025. |
| | Cr Debtors | - | (277) | |
| Total | | 350 | (350) | |

Corrected audit misstatements



Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported corrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit & Standards Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. We noted a classification misstatement, but this was within PPE balance and was corrected.

Corrected audit misstatements (£'000s)

| No. | Detail | SOCI Dr/(cr) £'000 | SOFP Dr/(cr) £'000 | Comments |
|-------|--------|-----------------------|-----------------------|----------|
| 1 | - | - | - | - |
| Total | | - | - | |

Control Deficiencies



Although we are disclaiming our audit opinion we have reported recommendations 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>Management review of actuarial assumptions</p> <p>Management reviews the assumptions and methodologies used in the calculation of the IAS 19 report. This includes inputs to testing such as cash flow, membership data and asset balances. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances. As part of our risk assessment procedures, we carried out a walkthrough to obtain an understanding of the pension assumption review process.</p> <p>Via this walkthrough, we identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, it does not allow for an objective criteria to perform their review on and therefore it is ineffective. Management see this process as an annual occurrence and although they do review the output of the actuary, there is no evidence of the review. Thus, there is not a sufficiently well-defined process in place for it to meet the criteria of an effective review control.</p> <p>Recommendation</p> <p>Management should put in a place well documented review process that details the procedure carried out and ensures that the documentation of the review is maintained.</p> | <p>Response: A review of the IAS 19 report is undertaken once the report is received, this includes reviewing opening balances, casting and the report for significant variances prior to posting. We were unable to provide KPMG with significant support of this review.</p> <p>Going forward we will ensure any review is documented and available for review.</p> <p>Due date: 30.06.2026</p> <p>Responsible officer: Liam McNabola</p> |

Control Deficiencies



| # | Risk | Issue, Impact and Recommendation | Management Response/Officer/Due Date |
|---|------|--|--|
| 2 | 2 | <p>Review of fixed asset register to general ledger reconciliation</p> <p>During the initial stages of our audit of the property, plant and equipment balance, we noted the following errors that may have been picked up during management review. These include:</p> <ul style="list-style-type: none">• PPE valuation reports not reconciling to the fixed asset register. This occurred due to differences in assets valued by the valuer and the assets to be valued as per instructions to the valuer.• Misclassification error in posting of revaluation adjustments - the community asset revaluation adjustment was posted into Land and Buildings <p>These errors were noted although the fixed asset register to general ledger reconciliation had been reviewed by management and used to prepare the draft accounts. This suggests the review could be improved.</p> <p>Recommendation</p> <p>Management should institute a thorough review process to ensure that material errors are noted and corrected to ensure correct figures are posted to the financial statements.</p> | <p>Response: The finding is accepted and a review of the process and controls in this area will be undertaken.</p> <p>Due date: 30.06.2026</p> <p>Responsible officer: Liam McNabola</p> |

Control Deficiencies



| # | Risk | Issue, Impact and Recommendation | Management Response/Officer/Due Date |
|---|------|---|---|
| 3 | 2 | <p>Review of the valuation process by external valuers</p> <p>During the audit, we noted several errors on the valuation process that may have been picked up during management review. These include, but are not limited to:</p> <ul style="list-style-type: none"> The external valuer did not adjust the valuations for purchases cost whereas they used market evidence which had been analysed on a 'net yield' basis. Failing to do this, meant that yields were not being applied 'like for like' with the market evidence which tends to inflate the value above the level indicated by the evidence. Some manual input errors were noted in the course of our work. This highlights the need for a robust process of internal checks and reviews to ensure accuracy in the valuations.. <p>Recommendation</p> <p>Management should review the process undertaken in regard to the valuation in order to reduce the potential for error.</p> | <p>Response: This finding is accepted. In the financial year we had two team members leave, and recruitment of qualified and experienced staff was an issue, which we believe was in part due to Local Government Reform. This impacted the timely production of internal valuations and review of external valuations. We are currently at a full complement for staffing levels and are implementing new controls to mitigate the risk of error:</p> <ul style="list-style-type: none"> RICS qualified members have been enrolled on a red book update prior to valuations being completed. Weekly meetings are to be scheduled to discuss and progress valuations. Internal review of internal valuations by another RICS qualified member of staff. Bring online a new system (Concerto) which should make valuations easier in the future financial periods which will be populated through the current valuation process. <p>For external valuations we will be conducting internal reviews and reconciliations to ensure that errors are identified prior to adjustments being made in the statement of accounts.</p> <p>Due date: 30.06.2026</p> <p>Responsible officer: Deborah Quinney</p> |

Control Deficiencies



| # | Risk | Issue, Impact and Recommendation | Management Response/Officer/Due Date |
|---|------|---|--|
| 4 | 2 | <p>Review of monthly payroll reconciliations</p> <p>During our payroll control testing, we requested the monthly payroll reconciliations for September 2024 and February 2025. Although the control design requires each reconciliation to be reviewed and approved by the Financial Services Manager, we noted that this approval was not documented for the selected months.</p> | <p>Response: This finding is accepted, whilst payroll reconciliations are completed at the end of the month there had become a habit of review only where a variance was noted. Going forward from September 2025 (when this was discussed with KPMG) reconciliations are prepared and reviewed at the end of the month.</p> <p>Due date: 30.06.2026</p> <p>Responsible officer: Liam McNabola</p> |
| 5 | 2 | <p>Weaknesses in grant income reporting process</p> <p>During the Covid-19 period, the Council received grants from the Department for Business, Energy, and Industrial Strategy to support business within its jurisdiction. These grants were given under the Local Restriction Support Grant(LRSG) and Additional Restriction Grant(ARG). Specifically:</p> <ul style="list-style-type: none"> The Council received a refund of £2.3m on 11 May 2023. This was not recorded as income until FY24/25. The Council closed down LRSG and ARG grant of £1.5m in May 2022. This was not recorded as income until FY24/25. <p>The above amounts were reports as capital grants unapplied whereas all the conditions for their recognition as income had been met and so should have been fully recognised under IFRS 15.</p> <p>These errors signal a weakness in the controls in place to in regard to the close-out process.</p> <p>Recommendation</p> <p>Management should institute a thorough grant close out process to ensure that restricted income is recorded in the correct period.</p> | <p>This finding is accepted, as part of the work in building back assurance we have been reviewing balances on the balance sheet to ensure that balances are correctly classified and where they are not, we have made the necessary corrections. As part of this process, we identified two grants that were incorrectly applied.</p> <p>We believe going forward that the work we have done in this financial period will help to ensure recognition of grant income is correctly applied.</p> <p>Due date: 30.06.2026</p> <p>Responsible officer: Liam McNabola</p> |

Control Deficiencies (cont.)

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

| Total number of recommendations | Number of recommendations implemented | Number outstanding (repeated below): |
|---------------------------------|---------------------------------------|--------------------------------------|
| 3 | 0 | 3 |

| # | Risk | Issue, Impact and Recommendation | Management Response/Officer/Due Date | Current Status (February 2026) |
|---|------|--|--------------------------------------|---|
| 1 | 2 | <p>Inadequate review of valuation reports provided by external valuers</p> <p>During the audit, we noted several errors on the valuation reports that we would expect to have been picked up during management reviews. These include, but are not limited to administrative properties and leased out assets revalued as investment property.</p> <p>One asset, Turnford Place, erroneously revalued by two different valuers resulting in double counting.</p> <p>Some assets in the asset register missing from the valuation reports and vice versa though management maintained that a full valuation was done in the year.</p> <p>Material opening balance error in the asset register.</p> <p>PPE valuation reports not reconciling to the fixed asset register.</p> <p>These errors were not identified despite the fact that the valuation reports had been reviewed by management and used to prepare the draft accounts. As a result, we find this review process to be inadequate.</p> <p>Recommendation: Management should institute a thorough review process to ensure that material errors are noted and corrected to ensure correct figures are posted to the financial statements</p> | N/A | <p>There has been improvement in this area, despite a recurrence of the recommendation.</p> <p>A mitigation is due to the short turnaround due to the backstop date being so close to the next financial year end.</p> <p>There was an undertaking to review all operating assets (PPE) this year to try and build back assurance (rather than a 5-year rotational basis) and investment properties which led to a delay in obtaining the full valuations in time for publication.</p> <p>The process will be reviewed, and areas of improvement will be discussed with the property team with a view of addressing this finding in the current period.</p> |



Control Deficiencies (cont.)



| # | Risk | Issue, Impact and Recommendation | Management Response/Officer/Due Date | Current Status (February 2026) |
|---|------|--|--------------------------------------|---|
| 2 | 2 | <p>Inadequate review of fixed asset register to general ledger reconciliation</p> <p>During the audit of property, plant and equipment balance, we noted the following errors that ought to have been picked up during management reviews. These includes but is not limited to;</p> <p>PPE valuation reports not reconciling to the fixed asset register.</p> <p>Revaluation gains/losses not updated on the fixed asset register</p> <p>The Business and Technology Centre (ABBC2) was completed in prior year at a cost of £10m but was transferred out to land and building category in current year.</p> <p>These errors were noted though the fixed asset register to general ledger reconciliation had been reviewed by management and used to prepare the draft accounts. We find this review process to be inadequate.</p> <p>Recommendation: Management should institute a thorough review process to ensure that material errors are noted and corrected to ensure correct figures are posted to the financial statements.</p> | N/A | <p>There has been improvement in this area, despite a recurrence of the recommendation.</p> <p>The time between the issue of the audit opinion of the previous audit and the year end was six weeks. There was a large amount of work undertaken in this period to audit post adjustments, review the TB, run the year end, start normal year end processes and review balances as requested informally in the balance sheet.</p> <p>Coupled with the large amount of valuation work that was undertaken across PPE and Investment Properties which led to a delay in obtaining the full valuations in time for publication.</p> <p>The process will be reviewed, and areas of weakness will be addressed with a view of addressing this finding in the current period.</p> |

Control Deficiencies (cont.)



| # | Risk | Issue, Impact and Recommendation | Management Response/Officer/Due Date | Current Status (February 2026) |
|---|------|--|--------------------------------------|--|
| 3 | 2 | <p>Management review of actuarial assumptions</p> <p>Management reviews the assumptions and methodologies used in the calculation of the IAS 19 report. This includes inputs to testing such as cash flow, membership data and asset balances. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances. As part of our risk assessment procedures, we carried out a walkthrough to obtain an understanding of the pension assumption review process.</p> <p>Via this walkthrough, we identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, it does not allow for an objective criteria to perform their review on and therefore it is ineffective. Management see this process as an annual occurrence and although they do review the output of the actuary, there is no evidence of the review. Thus, there is not a sufficiently well-defined process in place for it to meet the criteria of an effective review control.</p> <p>Recommendation: Management should put in a place well documented review process that details the procedure carried out and ensures that the documentation of the review is maintained.</p> | N/A | As discussed above, the process needs formal documentation to support the work that is completed in this area. The finding is noted and work will be undertaken in the current period to address this. |

Rebuilding assurance



In the table below we add additional commentary for those areas where we could not obtain sufficient and appropriate audit evidence during the 2024/25 audit, outlining the key areas for improvement and next steps to facilitate a full audit for next year. This is the starting point for our joint project with management to deliver the 2025/26 audit to enable us to further rebuild assurance.

| # | Item of account | Key drivers of lack of assurance | Recommended next steps |
|---|----------------------------------|--|--|
| 1 | Other grants and Contributions | <p>Audit team experienced a delay in getting a full listing of the other grants and contributions income to perform our audit procedures.</p> <p>Management reviewed the prior year's capital grants unapplied balance and recognised an income of £4.6m relating to Covid 19 grants in the current year. Through sampling, we vouched this balance to bank statements and other relevant documentation. We noted that the income related to closed-out grants and should have been recognised in prior financial periods in FY22/23 and FY23/24.</p> <p>Due to the back stop, we could not carry out additional audit procedures to confirm that the amount recorded is complete and accurate.</p> <p>We have raised an internal control deficiency on the income recognition and grant close out process. See page 33.</p> | <ul style="list-style-type: none"> • In our discussion with management, it was pointed out that, this listing required their additional review as it had balances from past periods where documentation was not easily traceable due to the advent of remoting working at the time and compounded by subsequent staff turnovers. • Management needs to carry out its accounts review process earlier in advance of the audit and have readily available schedules. • There needs to be a documented grant close-out process to mitigate such occurrences in the subsequent periods. |
| 2 | Valuation of Investment Property | <p>Audit team experienced a delay in getting the valuation reports. The valuation report from one of the external valuers did not directly reconcile to the fixed asset register. This took additional time between the Council and the valuer to address.</p> <p>We have raised an internal control deficiency on the review of the valuer's report. See page 32.</p> <p>A portion of the investment property portfolio was revalued internally by the property services team.</p> <p>We selected sampled and tested the externally valued assets. However, due to backstop-imposed time constraint, we could not carry out testing on the internally valued assets.</p> | <ul style="list-style-type: none"> • Management needs to increase the level of finance team involvement with the external valuers during the valuation process. • Valuation reports and accompanying schedules should be readily availed during early stages of the audit. • Sample selection will take place earlier in the audit to increase the amount of time for the valuers and management to prepare evidence. |

Rebuilding assurance



| # | Item of account | Key drivers of lack of assurance | Recommended next steps |
|---|--|--|---|
| 3 | Valuation Property, Plant and Equipment & Capital Additions to PPE | <p>Audit team experienced a delay in getting the valuation reports.</p> <p>Initial audit review identified that the fixed asset register did not reconcile directly to the financial statements. This meant that sample testing could not take place until this was completed.</p> <p>We have raised an internal control deficiency on the review of the fixed asset register and general ledger reconciliation. See page 32.</p> <p>The required information was provided late in the audit and due to backstop-imposed time constraint, we could not carry out testing on this balance.</p> | <ul style="list-style-type: none"> For the 2025/26 financial statements management will reconcile the fixed asset register to the financial statements prior to sharing with audit. Since a full valuation exercise has been carried out in the year, management will apply the 5-year rolling basis. In next audit, there will be no full valuation exercise which will significantly reduce the time it takes to perform the valuation. |
| 4 | Opening split of reserves between usable and unusable. | <p>Due to the ongoing 2024/25 audit and joint decision to allow both the finance and audit teams to prioritise that project, the rebuilding assurance risk assessment project has not taken place.</p> <p>This is the first step in identifying potential risks of material misstatement that require additional audit effort.</p> | <ul style="list-style-type: none"> The initial information request has been issued by the audit team and responded to by management – however review of this information and follow up of issues is planned to take place in March / April 2026. After this risk assessment is completed, we will then communicate any identified risks and our proposed response. |
| 5 | Debtors and Creditors | <p>Audit team experienced a delay in getting the year-end schedules to sample and carry out test work.</p> <p>In our discussion with management, we noted that, the Council does have the information that is required but it is in a form that is not suitable for audit e.g. year-end debtor balance with material credit entries in the schedule and vice versa. This review exercise took up a long time and could not be completed in time for the audit team to complete audit testing.</p> <p>In particular, the debtor and creditor balance relating to estate agents managing Turnford Place & Pavilions was a key driver of the delay .</p> <p>We also did not complete testing on collection fund debtors as, whilst we have received responses from management, we have insufficient time to complete this work due to the impending backstop.</p> | <ul style="list-style-type: none"> There is a need for management to perform a review of some of the accounts to ascertain the true and correct balances at YE. Management will carry out a joint reconciliation exercise with the estate agents of Turnford Place & Pavilions. Audit team will communicate their testing approach on each debtor and creditor balance to allow management prioritise on material balances. |

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/director 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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