



# **DRAFT Year End Report to the Audit Committee**

**Haringey London Borough Council**

**Year end report for the year ended 31 March 2024**

**27 January 2025**

# Introduction

## To the Audit Committee of Haringey London Borough Council

We are pleased to have the opportunity to meet with you on 27 January 2025 to discuss the results of our audit of Haringey London Borough Council as at and for the year ended 31 March 2024.

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, presented on 7 March 2024. We will be pleased to elaborate on the matters covered in this report when we meet.

## The engagement team

We expect to be in a position to sign our audit opinion on the approval of the financial statements and auditor's representation letter by the 28<sup>th</sup> of February 2025, provided that the outstanding matters noted on page 3 of this report are satisfactorily resolved.

We will be issuing a disclaimer audit opinion for the reasons outlined on page 4.

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,



**Tim Cutler**

**Partner**

27 January 2025

## 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.

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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 consolidated financial statements of Haringey London Borough Council the 'Council') and its subsidiaries (the 'Group'), prepared in accordance with [International Financial Reporting Standards ('IFRSs')] as adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Council's Audit 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 Group'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 implications of the statutory backstop

Page 4 'Our audit and the implications of the statutory backstop' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements.

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 6 '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.

This report is addressed to Haringey London Borough Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



# Our audit and the implications of the statutory backstop

## Measures to resolve the backlog

The Government has introduced measures to resolve the local government financial reporting and audit backlog. Amendments have been made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which have allowed auditors to give disclaimed opinions over any open, incomplete audits up to the period ending 31 March 2023. These were required to be delivered by 13th December 2024. For Haringey London Borough Council this has resulted in a disclaimed audit opinion for 3 financial years to and including 2022/23.

Those same amendments to the Accounts and Audit Regulations require the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. In accordance with the Code, as auditors we are required to provide our audit report on those financial statements in sufficient time to enable the Council to publish its audited financial statements by this date, irrespective of if the audit is complete or not.

The Appendix 'Local Audit - Reset and Recovery' provides more detailed information regarding this. The appendix also provides more detail on the implication of this in future audits, in respect of rebuilding assurance.

## Impact on our audit of the financial statements

The impact of the above means that for the financial year 2023/24 we have not been able to obtain sufficient appropriate audit evidence in respect of the 2023/24 opening balances and the comparative balances relating to 2022/23. The work we have performed in 2023/24 is explained on the next page.

As explained in the previously referenced appendix, the level of rebuilding assurance has been limited in 2023/24 as we have determined that there is insufficient time to complete our audit to obtain sufficient appropriate audit evidence, and, in our view, this is pervasive to the financial statements as a whole.

As a result of the above and irrespective of the level of work completed on 2023/24 balances, we intend to issue a disclaimer opinion on the financial statements. We are currently drafting this opinion and will provide an update in due course.

## Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion, 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.

One such matter is that we are yet to resolve an elector objection received relating to moving parking income. The amount of this form of income received in 2023/24 is immaterial but there may have been a historic material impact on reserves. As our disclaimer extends to reserve balances we are able to still sign the 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. We are responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Page 21 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2023/24.

# Our audit and the implications of the statutory backstop

## Work completed in 2023/24

Our audit plan, presented to you on 7 March 2024 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 are disclaiming our audit opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report.

Specifically in relation to 2023/24 we have completed our work on the following areas in addition to our planning and risk assessment work:

Other Areas:

- Income
- Depreciation & Amortisation Expense
- Employee Benefit Expenses
- Loans & Borrowings
- Cash & Cash Equivalents

We have been unable to complete our work on the following areas:

- Opening balances;
- Movements in usable and unusable reserves for the year ended 31 March 2024;
- Work associated with significant risks on: Valuation Of Land & Buildings; Management Override Of Controls; Valuation Of Post Retirement Benefit Obligations; Expenditure Recognition.
- Other work areas: Other Service Expenses; Debtors; Creditors; Investment Property

## Significant challenges progressing work

Matters which led to significant challenges in performing the audit included the following:

- *Delays in management providing some of the required information such as sample requests and listings;*
- *Quality & availability of transaction listings, specifically in obtaining detailed transactional breakdowns of Debtors & Creditors as well as issues with variances identified between the general ledger and the Northgate system used for the Housing Revenue Account;*
- *Quality of audit evidence, specifically the level of supporting documentation for Journals & Expenditure transactions resulting in multiple challenges and requests back to management.*

In addition to the above, there are several areas where although we have not concluded our work, we have made significant progress and have been able to identify issues such that these may be resolved ahead of the 24/25 audit. For example:

- *We have been unable to obtain supporting evidence for expenditure transactions relating to Social Care, due to the in-year migration of the social care system from Mosaic to Liquid Logic;*
- *We note that the valuer was provided with incomplete information to undertake their valuation report, which resulted in several assets not being valued. The Council estimate these to be valued at £32.8m. Additionally, we are aware that circa £18m of assets were completed in year but due to the timing of the work done by the capital team, the information for these was not provided to the valuer such that a valuation could be performed. As such we have raised a control deficiency linked to the timing of the work done by the capital team and its impact upon the valuation undertaken by WHE. We are also aware that circa £155.8m of the Council's DRC assets have not been subject to revaluation in year as part of the rolling programme, so we have not undertaken any work over these assets. We have therefore only been able to perform work over the £919m of DRC assets subject to revaluation in the 23/24 year.*

We have considered the impact of these issues on our audit and have discussed fee variations with management. These are outlined on page 42.

We are working with management in advance of the 2024/25 audit to ensure these are addressed where possible.



# Our audit findings

We have set out below the status of our work and key findings from the work we were able to perform before the backstop date. On page 4 we have discussed the reasons for the disclaimer audit opinion.

Significant audit risks	Page 8-17
Significant audit risks	Our findings
Valuation of land and buildings	We have performed significant work over this risk as detailed on page 8, however we have not reached an overall conclusion. We have documented a control deficiency linked to the management review of assumptions.
Management override of controls	Due to time constraints, we have not reached a conclusion over this significant risk. We have documented a control deficiency identified on page 10.
Valuation of post retirement benefit obligations	We have performed significant work over this risk as detailed on page 12, however we have not reached an overall conclusion due to time constraints. We have documented a control deficiency linked to the management review of assumptions and a misstatement related to benefits paid in year.
Expenditure recognition	We have completed the majority our planned procedures over the expenditure recognition risk with no issues noted. However, due to the ongoing fraud work which could impact our assessment of in year expenditure & therefore accruals at year end, we have not concluded over this risk.

Uncorrected Audit Misstatements	Page 18	
Understatement/ (overstatement)	£m	%
Expenditure	1.1	0.1
Total assets	(8.7)	0.1
Total taxpayers' equity	-	-

Number of Control deficiencies	Pages 48-52
Understatement/ (overstatement)	
Significant control deficiencies	2
Other control deficiencies	8

Misstatements in respect of Disclosures	
Misstatement in respect of Disclosures	Our findings
Disclosures	Due to our limited work over the financial statement disclosures we have not identified any such misstatements.

## Outstanding matters

Considering the disclaimed opinion being issued, our audit is substantially complete. We have referred to the matters over which we have not been able to conclude our work on Page 5. The following items are outstanding to finalise our audit:

- Management representation letter
- Final signed accounts to KPMG
- Finalise audit report and sign
- Resolution of outstanding objection
- Final manager, partner & quality review of the audit file.



# 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 knowledge of the business, the industry and the wider economic environment in which the Council operates.

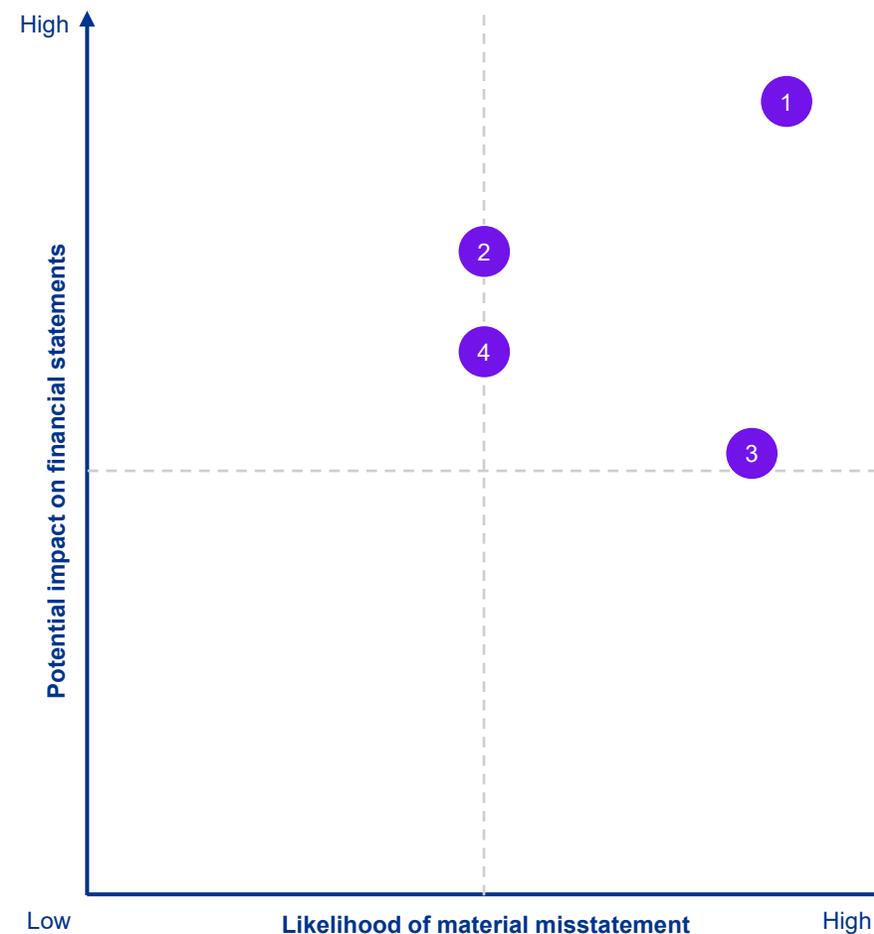
We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

In the pages overleaf we have reported the work we have completed on significant risks and other audit risks.

## Significant risks

1. Valuation of land and buildings
2. Management override of controls
3. Valuation of post retirement benefit obligations
4. Expenditure recognition

Key: # Significant financial statement audit risks



# Audit risks and where our audit approach



## 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 council adopts a revaluation policy in relation to freehold and long leasehold land and buildings, with a full valuation occurring as at 31st March each financial year. Valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.
- The value of the council's Land & Buildings at 31 March 2024 was £2.9bn, with c.£2.0bn valued at EUV & £0.9bn at DRC.
- The last revaluation took place as at March 2024. The council appointed an external valuer – Wilks Head & Eve - to perform the revaluation as at 31 March 2024.



### Our response & findings

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

- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they were 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 and noted several discrepancies, with incomplete information being provided to the valuer such that WHE were unable to assign a value to circa £50m of DRC assets (£18m of which were completed during 23/24). We have raised a control deficiency in respect of the incomplete information and timely completion of the capital exercise at year end.
- Whilst we did not conclude over the entire Land & Buildings balance, we challenged some of the key assumptions within the valuation as part of our work. In relation to the Council's housing stock which is valued at EUV, we were satisfied that the value of the Beacons used by the valuer were appropriate and in line with market conditions. However, we noted inconsistencies in the Beacons (property type) assigned to each property by the valuer when compared to the Council's records and have raised a control recommendation in this regard. As this has not been satisfactorily resolved during our audit we are not able to conclude on this work.
- We have completed work over £919m of DRC assets and we have assessed that the use of BCIS Indices, Location Factors & Obsolescence Factors were appropriate and that these assumptions were balanced and reasonable.
- We were able to assess that a sample of the information provided by the Council to the valuer relating to the Gross Internal Area of the Council's assets was accurate.

# Audit risks and our audit approach (cont.)

## 1 Valuation of land and buildings (cont.)

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 council adopts a revaluation policy in relation to freehold and long leasehold land and buildings, with a full valuation occurring as at 31st March each financial year. Valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.
- The value of the council's Land & Buildings at 31 March 2024 was £2.9bn, with c.£2.0bn valued at EUV & £0.9bn at DRG.
- The last revaluation took place as at March 2024. The council appointed an external valuer – Wilks Head & Eve - to perform the revaluation as at 31 March 2024.

### Our response & findings

- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used and have raised a control deficiency around the lack of formal review of the assumptions utilised by the valuer in calculating the estimate.

We have been unable to perform the following procedures specifically designed to address the significant risk associated with valuation as a result of the backstop as explained on page 4:

- We have critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- Whilst 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, this work was not finalised;
- We did not agree the calculations performed of the movements in value of land and buildings and did not verify that these had been accurately accounted for in line with the requirements of the CIPFA Code;
- Disclosures: We did not consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Due to the rolling valuation programme adopted by the Authority, the fact no assurance has been given on assets prior to the current financial year and our inability to complete our procedures prior to the backstop date we are unable to provide assurance over this risk. As part of the debrief process we will work with management to agree an approach for valuing assets as part of the 24/25 accounts process that provides sufficient coverage and allows the disclaimer to be removed as quickly as possible.

# Audit risks and our audit approach (cont.)

## 2 Management override of controls<sup>(a)</sup>

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 response

Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address this significant risk:

- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business or are otherwise unusual.

We have been unable to perform the following procedures specifically designed address this significant risk associated as a result of the backstop as explained on page 4:

- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Whilst we did analyse all journals through the year using data and analytics and were satisfied that the population of transactions was complete, we did not fully complete our testing over those with a higher risk.

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<sup>(a)</sup> (cont.)

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.

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



### Our findings

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

- We evaluated the selection and application of the Council's accounting policies and concluded that these were in line with the 23/24 CIPFA code. However, items relating to income or expenditure that fall below £20k are not accrued or deferred in the accounts, that is, they are recorded in the period in which the cash is received or spent rather than the period to which they relate. The risk here is we cannot confidently conclude how many transactions this has been applied to and the value of the impact - albeit they would be unlikely to reach the materiality threshold. We recommend that the £20k threshold is removed and the accounts are appropriately prepared on a full accruals basis – more detail is provided on page 51.
- We identified 71 journal entries and other adjustments meeting our high-risk criteria – however we did not complete our examination and testing of these entries.
- We did not reach a conclusion in regards to our work over accounting estimates within the financial statements. However, as detailed on Page 8 we did assess several assumptions which drive the estimate over Land & Buildings and found these to be reasonable where we were able to complete our work.
- Our procedures did not identify any significant unusual transactions.
- We identified a control deficiency in regards to management's review and approval of journals entries, more detail is provided on page 48.

# 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

- 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 designed to specifically address this significant risk;

- 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 actuaries 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;
- Assessed the level of surplus that should be recognized by the entity; and
- Assessed the impact of a new triennial valuation model and any special events, where applicable.

# Audit risks and our audit approach (cont.)

3

## 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

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

- We are mandated to consider the design of controls around approval of the pensions assumptions because these relate to a significant audit risk. The control currently in place is a management review control ('MRC'). Such controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria to be considered effective. From discussion with management, it has been determined that although the actuarial assumptions are assessed on a high level, the review is not performed on a detailed enough basis to reliably and consistently address the risk that the assumptions used in the valuation may not be appropriate. Additionally, management do not produce control documentation to evidence the performance of this review, therefore the MRC has been deemed ineffective.
- We evaluated the capability, competency and objectivity of the actuaries to confirm their qualifications and the basis for their work with no issues noted. 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. See page 15 for details.
- Individually all assumptions are balanced except mortality future improvements, which is considered as cautious but within reasonable range. This is mainly because management specialist considered 1.50% as long-term trend rate as compared to our central rate of 1.25%.

# Audit risks and our audit approach (cont.)

3

## 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

- 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 2021 model to the CMI 2022 model to reflect the latest available industry data. Our actuaries have assessed the change and believe it is reasonable.
- The Actuarial Funding Valuation for Fund, with an effective valuation date of 31 March 2022, was completed and signed in prior accounting period. Given this is the first year of audit for KPMG, we have considered the following areas and noted no issues:
  - Funding position and agreed contributions
  - Areas of uncertainty around data or benefits
  - The completeness, existence and accuracy of benefits paid
  - Valuation adjustments
- We have verified the cashflows data i.e., input data used within the calculation of the scheme valuation by obtaining the direct confirmation from auditors of the pension fund and noted an overstatement in benefits paid during the year. Please see page 47.

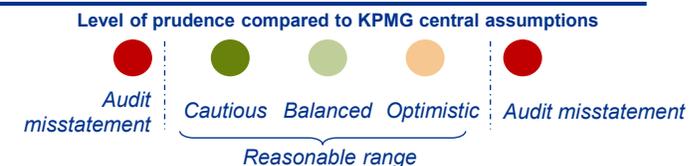
Our work on below areas are still ongoing:

- Assessment of the level of surplus that can be recognised by the council.
- Adequacy of the Council's disclosures and the accounting treatment that entity applies to

# Audit risks and our audit approach (cont.)

## 3 Valuation of post retirement benefit obligations (cont.)

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



Overall assessment of assumptions for audit consideration							Balanced	
Underlying assessment of individual assumptions	Methodology	Consistent methodology to prior year?	Compliant methodology with accounting standard?	Employer	KPMG central	Assessment	Significant assumption	
Discount rate	AA yield curve	✓	✓	4.80%	4.81%	Balanced	✓	
CPI inflation	Deduction to inflation curve with adjustment for recent inflation experience	✓	✓	2.80%	2.85%	Balanced	✓	
Pension increases	In line with CPI	✓	✓	2.80%	2.88%	Balanced		
Salary increases	CPI + 1%, In line with most recent Fund valuation	✓	✓	CPI plus 1%	In line with long-term remuneration policy	Balanced		
Mortality	Base tables	✓ See slide 3	✓	Fund-specific based on Club Vita Curves	In line with best-estimate Fund experience	Balanced	✓	
	Future improvements	✓ See slide 3	✓	CMI 2022 projections model, 1.5% long-term trend rate, initial addition parameter of 0.25% and default other parameters	CMI 2022, 1.25% long-term trend rate and default other parameters	Cautious	✓	
Other demographics	In line with most recent Fund valuation	✓	✓	Member can take 52% of the maximum additional tax-free cash up to HMRC limits	In line with Fund experience	Balanced		

# Audit risks and our audit approach (cont.)

## 4 Fraud risk from expenditure recognition

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

### Significant audit risk

- The Council has a statutory duty to balance their annual budget. Where a council 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 creates an incentive for manipulation of expenditure recognised in the year. While the Council had usable reserves of £97.2m (as at 31st March 2023) upon which it is able to draw where needed, this balance has reduced over recent periods which underlines the increasing budgetary pressures it is experiencing.
- We consider that this risk is focussed around the completeness of manual accruals (i.e. excluding those which are system-generated such as Goods Received Not Invoiced), with the council looking to push back expenditure to 2024-25 to mitigate financial pressures.

### Our response

We have performed the following procedures designed to specifically address this significant risk:

- We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;
- We inspected a sample of invoices of expenditure and payments from the bank, in the period after 31 March 2024, to determine whether expenditure had been recognised in the correct accounting period and whether accruals were complete.

We have been unable to perform the following procedures specifically designed address this significant risk associated as a result of the backstop as explained on page 4:

- We did not inspect journals posted as part of the year end close procedures that decreased the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence.

# Audit risks and our audit approach (cont.)

## 4 Fraud risk from expenditure recognition (cont.)

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

### Significant audit risk

- The Council has a statutory duty to balance their annual budget. Where a council 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 creates an incentive for manipulation of expenditure recognised in the year. While the Council had usable reserves of £97.2m (as at 31st March 2023) upon which it is able to draw where needed, this balance has reduced over recent periods which underlines the increasing budgetary pressures it is experiencing.
- We consider that this risk is focussed around the completeness of manual accruals (i.e. excluding those which are system-generated such as Goods Received Not Invoiced), with the council looking to push back expenditure to 2024-25 to mitigate financial pressures.

### Our findings

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

- We note that the process for the manual review of the expenditure accruals overlaps with the process identified on page 11 as part of our assessment of the journals control. As such, the same control deficiency applies here, and we cross refer to the recommendation made on page 48.
- We selected a sample of invoices and bank payments after year end and obtained sufficient supporting evidence such that we did not identify any unrecorded expenditure or liabilities that should've been included within the 23/24 accounts.
- Whilst not directly linked to the significant risk, we note that we have tested the completeness, accuracy and existence of Other Operating Expenses with no issues noted, with the exception of the spend relating to Social Care as identified on Page 5.
- We note that work is still being undertaken by the Council to satisfy themselves over the potential impact of any fraudulent transactions due to limitations within the £160k threshold within the procurement system. This is a direct response to historical fraudulent activity that circumvented the £160k threshold, for which appropriate control remediations have not yet been put in place. As such the Council could not quantify or assess the potential impact of any further fraudulent transactions upon the 23/24 financial statements. The result of this is that despite our satisfactory conclusion of the above testing of invoices & bank payments, we would not be able to conclude our work over the expenditure significant risk.

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

# Audit misstatements

Given we are disclaiming our audit opinion as described on pages 4 and 5 there may be other audit misstatements 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 47 and they are reflected in the draft financial statements. A summary of the uncorrected audit misstatements is detailed on page 47.

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. We note that there are no uncorrected audit misstatements and no disclosure misstatements.

- A detailed summary of corrected and uncorrected audit misstatements and omissions and errors in disclosure is included in the appendix on page 47.

## Audit misstatements

	Type	£m	Comment
<b>Corrected misstatements</b>			
Investment Property Error	Factual	1.6	WHE had not received updated information for valuation purposed meaning that £1.6m of Investment Property were held at cost instead of at nil value.
Fusion Lifestyle Accrual	Factual	-	The Council continued to accrued for expenditure with Fusion Lifestyle in relation to leisure services with no confidence this money would ever be owed. The Council have moved this amount (£2.3m) from accruals to provisions, with a nil effect on the income statement.
<b>Uncorrected Misstatements</b>			
Goods Received Not Invoiced Accrual	Projected	1.2	The Council over accrued for expenditure in relation to technology charges, when compared to the actual invoice received. This over accrual was £15k, however we have projected this over the entire GRNI accrual balance leading to a misstatement of £1.2m.
Pensions overstatement in benefits paid	Factual	8.7	Whilst verifying the input data used within the calculation of the scheme valuation; by obtaining the direct confirmation from auditors of the pension fund, we noted an overstatement in benefits paid during the year

## Types of misstatement

**Factual:** Misstatements about which there is no doubt

**Projected:** Our best estimate of misstatements in the audited populations

**Judgemental:** Differences arising from judgments of management that we consider unreasonable or inappropriate

# Other matters

## Narrative report

While we are disclaiming our audit opinion and not reporting on the narrative report, we have identified the following 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 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.

However, we note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Narrative Report, we are unable to determine whether there are material misstatements in the Narrative Report.

## Annual Governance Statement

While we are disclaiming our audit opinion and not reporting on the Annual Governance Statement, we have identified the following based on the work performed:

- We have not completed the work to consider 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.

However note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Annual Governance Statement, we are unable to determine whether there are material misstatements in the Annual Governance Statement.

## 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 have confirmed that, for Haringey London Borough Council, the threshold at which detailed testing is required has not been exceeded. We have not completed our work in respect of the WGA consolidation pack, until we have completed this work, we are unable to certify the we have completed the audit of the financial statements.

## Independence and Objectivity

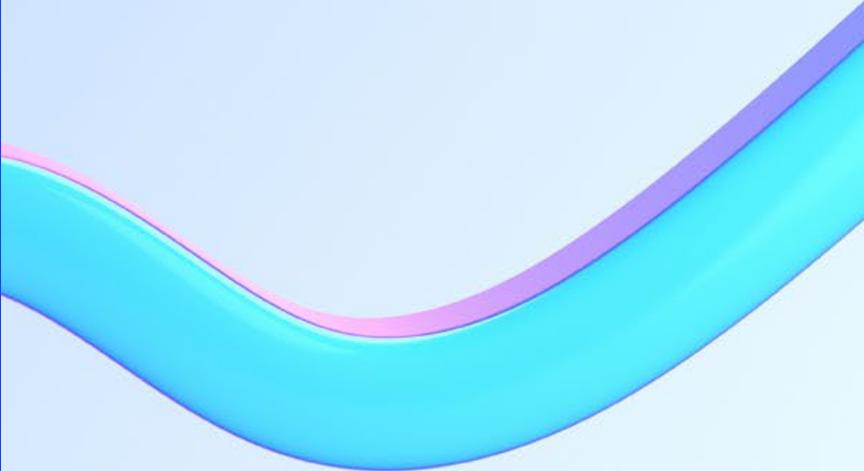
ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

## Audit Fees

Our PSAA 2023/24 audit scale fee for the audit was **£499.3k** plus VAT. We have also agreed fee variations of £x with management. Refer to page 37 for more details.

We have also completed non audit work at the Council during the year on Housing Benefit Grant Certification and have included in appendix 38 confirmation of safeguards that have been put in place to preserve our independence.

# 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 irrespective of the statutory backstop as explained on page 4.

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 7 risks of significant weaknesses in the Council's arrangements to secure value for money. On the page(s) overleaf we have set out the risk(s), our response and findings.

As a result of the work we have identified 4 significant weaknesses.

## Performance improvement observations

As part of our work we have identified 5 Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses. These are set out within our Auditor's Annual Report.

## 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	Significant risks identified	Significant weaknesses identified
Governance	Significant risks identified	No Significant weaknesses identified
Improving economy, efficiency and effectiveness	Significant risks identified	Significant weaknesses identified

We have identified recommendations to significant weaknesses on pages 24, 27 & 30.

There were no significant weaknesses in the prior year to follow up on.

# Significant Value for Money Risk



## Cost setting & budgetary process

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

### Significant Value for Money Risk

Due to the challenging financial position at the Council, and increasing demands on resources, there is a risk that the Council does not have in place adequate arrangements in respect of its cost setting and budgetary processes to achieve financial sustainability over the short to medium term.

### Our response

We sought to understand the process for budget setting during the period and for future financial periods.

### Our findings

#### Findings

The total overspend against budget for Haringey Council in 23/24 was £21.8m. This resulted from significant pressures in Children's Services and, particularly, Adult Social Care linked to demand for the Council's services in addition to general inflationary pressures.

Without an effective budget setting process, expenditure may exceed available resources, leading to a long-term deterioration in reserves available to the Council, principally the General Fund.

This is reinforced by a current estimate of a £37m gap to balance the budget for FY25. This is after assumed savings and management actions totalling nearly £8m. Over the medium term, the budget gap is projected to grow, with the latest projections for FY26 being a £32m gap to budget, after assumed savings of £19m.

What this illustrates is that not only do the identified savings need to be delivered rigorously, but additionally the Council requires a coordinated plan, to which all Services contribute and are bought-in, to transform the way that the Council manages its budget and identifies savings.

#### Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to the cost setting and budgetary processes to achieve financial sustainability over the short to medium term.

See recommendations on Page 24.

# Significant Value for Money Risk

## 2 Identifying & monitoring cost saving schemes

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

### Significant Value for Money Risk

The council does not have adequate processes to identify or monitor cost saving schemes to address the significant budget gap. There is a risk that, given the level of reserves held by the Council, the current quantum of savings identified is insufficient to meet the ongoing expenditure of the Council.

### Our response

We sought to understand the process for identifying the cost saving schemes and how these are subsequently monitored throughout the year.

### Our findings

#### Findings

The council's cost saving identification process is decentralised on a project-by-project basis leading to a inconsistency in the process followed in determining initial targets and subsequent monitoring.

Due to ongoing budgetary pressures, the council must increase the savings target for future years, however it has under delivered in 2023/24 with £13.5m (77%) of the £17.5m target achieved.

This lack of an effective process for identifying and delivering cost saving programmes risks putting pressure on an already strained financial outlook. The budget gap after taking into account agreed savings is set to grow substantially between now and 2030, by which point the gap stands at £132.8m. This is clearly a pessimistic figure that assumes the Council does nothing to address the financial pressures it faces, but it underlines the scale of the challenge faced by the Council.

### Conclusion

The Council is exposed to a risk of significant financial loss as a result of inadequate management arrangements to date, with a lack of process for the systematic identification of savings opportunities and rigorous implementation and monitoring of savings plans.

Based on the findings above we have determined that there is a significant weakness in arrangements relating to the identification and monitoring of cost saving schemes. See recommendation on page 27.

# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	High	<p>The Council set a balanced budget for 2023/24 but the outcome was an overspend of £21.8m</p> <p>Due to the challenging financial position at the Council, and increasing demands on resources, there is a risk that the Council does not have in place adequate arrangements in respect of its cost setting and budgetary processes to achieve financial sustainability over the short to medium term.</p> <p>The Council should create an organisation wide resilience plan which evaluates pressures and service delivery models and seeks to make longer-term decisions about the shape of the organisation, the configuration of services to make them a more financially resilient organisation, as well as doing the basics right and identifying productivity savings robustly</p>	<p>This recommendation is accepted. The Council’s financial position is challenging and necessary action must take place to protect its long term financial sustainability and reduce reliance on Exceptional Financial Support.</p> <p>During 2024, a strengthened medium term and annual budget setting process was established which has set some good foundations but must be further improved during 2025. This has included:</p> <ul style="list-style-type: none"> <li>• Establishing a set of budget and financial planning principles.</li> <li>• An open and transparent relationship across the organisation, including with CLT and Members for organisational ownership of the financial position.</li> <li>• Review of financial pressures. This has initially focussed on 2025/26 but also across the 5 years of the MTF5. This is now based on the current financial position across services, particularly social care and housing demand (temporary accommodation), increasing the use of data and evidence to forecast pressures, scenario planning and a more realistic view of risks with the estimates.</li> <li>• Review of all current and proposed savings to test their validity and assurance on delivery.</li> <li>• Review of other assumptions, including inflation and pay to provide a more realistic financial position across the next five years.</li> <li>• Regular review of all assumptions through the annual budget setting process as new information comes to light, up to the point of publication.</li> </ul> <p>(Continued overleaf)</p>

# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	High	<p>The Council should strive to make the 'Budget Fortnight' process more robust. This can be done by ensuring complete stakeholder engagement &amp; complete information needed in a timely manner to ensure informed decision making. An improvement in forecasting can better help predict external factors that influence budget setting and various scenario testing can address uncertainties.</p>	<ul style="list-style-type: none"> <li>Review of the Capital Programme which will be undertaken annually as part of the budget process and its governance. This includes establishment of a Strategic Capital Board to oversee the development, monitoring and reporting of the whole programme and improve the decision making of all schemes as well as prioritisation with the expectation of a reduced capital programme over the medium term, reducing the rate at which debt is increasing.</li> </ul> <p>A refreshed Budget Week in June 2024 and further planned for 2025 with a focus on increasing awareness and accountability of Leadership Network and time within the week for identifying budget proposals and delivery plans.</p> <ul style="list-style-type: none"> <li>Review of 'committed' reserves, of which those which are uncommitted are exceptionally low given the level of risk faced by the authority. This has focussed on £22m of balances within the Services Reserve and Grants Reserve to identify any transfer into the Budget Planning Reserve. This review is underway and the outcome will be reported in the 2024/25 Outturn report and any balances expected to be required for addressing the current forecast overspend of £37m in 2024/25. This review includes the implementation of the budget principle of replenishing reserves over the medium term and an annual contribution has been assumed from 2026/27 onwards.</li> <li>External support commissioned to support in a full review of all services to identify further opportunities to reduce costs and spending and increase income.</li> </ul> <p>An 'emergency response' will be put in place and overseen by the Chief Executive and Director of Finance and which will establish an organisation response to the immediate financial position for 2025/26. This will be based on an improvement and recovery plan. Progress will be monitored weekly and reported to Cabinet and Scrutiny as part of the quarterly finance report and will form a key part of the Annual Governance Statement reported to Audit Committee.</p> <p>(Continued overleaf)</p>

# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	High		<p>All of the actions put in place in 2024 will continue and be further improved and strengthened but more will be required in light of delivering the recovery plan. For 2025, this includes;</p> <ul style="list-style-type: none"><li>• A move towards medium term financial planning and work to balance the 2026/27 budget will commence before the end of the current financial year.</li><li>• A review of the structure and format of budget week which will take place earlier in the year and allow more time to focus on delivery of change.</li><li>• More structures communications plan with the whole organisation on the position and changes required.</li></ul> <p><b>S151 Officer – September 2025</b></p>

# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	High	<p>Due to the challenging financial position at the Council, and increasing demands on resources, there is a risk that the Council does not have in place adequate arrangements in respect of its identification and monitoring of savings schemes to achieve financial sustainability over the short to medium term. The Council is exposed to a risk of significant financial loss as a result of inadequate management arrangements. Due to ongoing budgetary pressures, the council must increase the savings target for future years, however it has under delivered in 2023/24 with £13.5m (77%) of the £17.5m target achieved. We recommend the Council works to change the culture across services to one where the financial implications of decisions are given as prominent a focus as the quality of service. The Council should then make the process of both identification and monitoring more robust by ensuring early engagement with stakeholders and encouraging the full use of tools available – in particular in-year monitoring documents.</p>	<p>The Council accepts this recommendation, and the development and monitoring of savings will be improved during 2025/26. A number of actions are already underway or planned, including:</p> <p>Identifying Savings</p> <ul style="list-style-type: none"> <li>• Publish a Medium-Term Financial Strategy (including a Capital Strategy) in July of each year to set the foundations for the forthcoming year, including the latest savings that are required.</li> <li>• Start the next financial planning process before the start of the forthcoming financial year.</li> <li>• Review structure and timeliness of budget week to ensure that budget ideas are generated earlier in the process and options for balancing the budget are known by July and there is an earlier focus on delivery plan being in place before the start of the financial year.</li> <li>• Move to a medium-term approach to financial planning such that budget ideas focus on ongoing efficiencies as well as more significant transformation and service redesign that may deliver benefits in the longer term.</li> </ul> <p>(Continued overleaf)</p>

# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	High		<p>Monitoring</p> <ul style="list-style-type: none"> <li>• Review and re-prioritisation of Category A projects that will have an overall change framework, resource and programme governance to track delivery and benefits.</li> <li>• Improved monitoring through a tracker for all savings planned for 2025/26 and to be monitored and reported monthly and quarterly to Cabinet. This will include a RAG rating but also include the strengthening of the explanations for any non achievement, action plan and mitigations.</li> <li>• A review of previously discounted ideas that could yield sustainable savings and efficiencies in future years.</li> <li>• More focus on aspects of cross-cutting savings and efficiencies. In the past, and in-year, the Council has largely focussed on service-focused savings leaving a void in the corporate infrastructure to deliver across service teams and directorates.</li> <li>• Savings to be categorised through an efficiency and transformation lens, using categories such as service reduction, prevention, demand avoidance and management reduction, efficiency and productivity, growth and productivity.</li> <li>• Reporting through new emergency governance framework.</li> </ul> <p><b>S151 Officer – September 2025</b></p>

# Significant Value for Money Risk



## Risk Management

Risk that value for money arrangements may contain a significant weakness linked to governance

### Significant Value for Money Risk

The Council does not manage, report & assess risk consistently across different service lines, resulting in the possibility of unrecorded risks which could have a financial impact upon the wider Council.

### Our response

We have reviewed risk registers held at various levels of the Council and inspected minutes to corroborate if these registers are appropriately discussed and challenged.

We have carried out work to understand the extent to which risk registers are in place at different levels.

### Our findings

#### Findings

Although risk registers are not always held at a service level, there is sufficient representation from senior service staff at the Directorate level (above service level) to enable risks to be captured on the directorate risk register. All directorates have a risk register.

The Strategic Risk Register, reported through Audit Committee, provides the following information against each risk to enable informed decision making: current impact; current likelihood; current risk score; proximity; and mitigating actions.

The detail in meeting minutes does not fully reflect the level of discussion around risk that occurs in committee.

Additionally, the Audit Committee were provided with external training in July 2023 to reinforce their roles and responsibilities, including effective scrutiny of various risk reporting.

#### Conclusion

Based on the findings above we have not identified any significant weaknesses in the arrangement. We have made a recommendation that the minutes from risk discussions are more detailed to give a more accurate reflection of discussion at meetings. See page 53.

# Significant Value for Money Risk

## 4 Commercial Property

Risk that value for money arrangements may contain a significant weakness linked to economy, efficiency & effectiveness

### Significant Value for Money Risk

There is a lack of oversight and processes in place for the effective management of the commercial property portfolio across areas such as leases, repairs and health & safety, which could impact the Council's return on investment and legal responsibilities as a landlord.

### Our response

We have considered the processes in place for the management of the Council's commercial leases.

We have assessed if the Council has adequate knowledge of its leases and the underlying terms such that it can effectively budget for any financial implications.

### Our findings

#### Findings

The Council does not have full oversight of its responsibilities in relation to leases – driven by a lack of record keeping and digitisation. This brings several potential financial, legal and operational challenges.

Without effective oversight, there may be missed rental payments or a failure to adjust rents or lease terms in line with current market conditions.

The above could also lead to neglecting legal obligations in relation to maintenance or compliance with health & safety.

From an operational perspective, poor oversight may hinder the Council in utilising its portfolio effectively to achieve its broader goals. This management of public assets can erode trust in the ability to manage taxpayer resources effectively.

#### Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to commercial property. See page 31.

# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	High	<p>A Council does needs full oversight of its responsibilities in relation to commercial leases.</p> <p>At Haringey there are ineffective processes in place for the management of the commercial property portfolio across areas such as leases, repairs and health &amp; safety, which could impact the Council's return on investment..</p> <p>The Council should review all commercial property leases to ensure accurate and accounted for. Where gaps are identified, take steps to rectify.</p>	<p>These weaknesses have been highlighted in the Commercial Property audit and broadly accepted. We have strengthened the Commercial Property team and are in a better position to reactively manage the portfolio, the weakness is with data and systems. The intention is to fully review all property records held by LBH and implement and store data in an improved Property Management system which will enable us to store lease information digitally, and act on it in accordance with lease terms and obligations. This will also allow for better financial control over transactions and debt management. Ahead of that, we are systematically working through our leases, actioning lease events, and identifying and managing any onerous conditions. There are limitations in how we can record and store this data which is why a digital solution is much needed. This includes ensuring safety and repairing obligations are clarified between landlord and tenant, fulfilling our statutory obligations and achieving best consideration.</p> <p><b>Head of Resilience – April 2027</b></p>
4	High	<p>The Council should consider investment in a system solution incorporating entralsed document management with standardised checklists for identifying key terms of leases and automated tools to monitor important dates, such as the expiry of lease terms.</p>	<p>The council recognises its shortcomings in not having an effective property data solution. We are actively working on this, as set out in the Council's Strategic Asset Management and Property Improvement Plan. We have identified the scope of a property review programme, completed soft market testing of suitable Property Management software, and are now working to develop the business case to gain approval for this investment.</p> <p><b>Head of Resilience – April 2027</b></p>

# Significant Value for Money Risk



## Social Housing

Risk that value for money arrangements may contain a significant weakness linked to economy, efficiency & effectiveness

### Significant Value for Money Risk

There is a risk to the Council's repairs and maintenance programme across its social housing portfolio. With respect to compliance, there was a regulatory self-referral during 2023. Additionally, high void rates are impacting the council's return and the housing of local tenants.

### Our response

We reviewed the correspondence relating to the self-referral to the regulator as well as the ongoing action plan.

### Our findings

#### Findings

In January 2023, the Council referred itself to the Regulator of Social Housing because it identified a failure to meet statutory health and safety requirements for some Council owned homes.

The Regulator issued its findings in March 2023, which outlined there were over 4,000 high risk fire actions, over 8,000 instances of no electrical safety checks and 32% of the council's social housing stock being classed as non-decent. By March 2024 the closing position was a significantly reduced number - with 1,798 high risk fire actions, 438 homes with no electrical safety certificate and a reduction of 10% in the council's non-decent social housing stock.

Management have made strong progress against the action plan – with 9 of the 10 agreed actions having been completed.

The remaining open action relates to the non-decent stock, which was agreed with the regulator would be remediated over a period up to 2028.

The Council was set a target for 23/24 to make 1000 properties decent and the Council overachieved on this – with 1,245 reported at the end of February 2024.

With respect to voids, although numbers are above the London average, this is in part due to the condition of the stock mentioned above leading to more extensive work needed to bring properties up to the standard needed for occupation.

#### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements. Whilst there were weaknesses in arrangements during the period of audit, we believe that management have already put in place appropriate actions to address these issues in the short to medium term.

# Significant Value for Money Risk



## Procurement

Risk that value for money arrangements may contain a significant weakness linked to economy, efficiency & effectiveness

### Significant Value for Money Risk

The Council does not have adequate procurement processes in place to enable it to achieve value for money in respect of contracts entered into for services received.

### Our response

We have reviewed the processes in place for contract management and oversight of contract renewal and virements.

### Our findings

#### Findings

The procurement team at Haringey currently have limited visibility on contract management across the Council and the monitoring of KPIs. There are varying degrees of contract management present at the council. The procurement team has no oversight on any spending decisions below £160k.

Strategic Procurement lacks oversight of service spending and relies on services to communicate savings after contract delivery. The current systems do not have the functionality to produce valuable monitoring data.

There is no performance reporting to senior management to allow for effective scrutiny of the contract management process

A lack of monitoring and involvement of procurement specialists may lead to Council funds being wasted on poorly managed or negotiated contracts.

From a compliance perspective, the Council is expected to adhere to a number of related regulations. Again, this lack of oversight exposes the Council to a risk of non-compliance.

Insufficient tracking and monitoring may result in unidentified quality and performance issues, which could result in disruption and diminution in the quality of services provided.

In extreme cases high profile failures can attract negative media attention, as experienced in respect of the Council's Leisure Services contract, threatening the loss of local taxpayers' trust.

#### Conclusion

Based on the above we have determined that there is a significant weakness in arrangements relating to procurement. See recommendation on page 34.

# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
5	High	<p>The Council does not have adequate procurement processes in place to enable it to achieve value for money in respect of contracts entered into.</p> <p>Strategic Procurement lacks oversight of service spending and relies on services to communicate savings and contract details after delivery. The current systems do not have the functionality to produce valuable monitoring data.</p> <p>The Council should ensure the implementation of the incoming new procurement system is prioritised. This will allow the team to have effective oversight on the monitoring of contracts. Relevant data should be discussed with senior members of staff to report performance and/or identify efficiencies.</p>	<p>This recommendation is accepted and implementation of new Procurement system is planned but review currently underway to ensure successful implementation across the organisation and support the Procurement Modernisation Plan to improve procurement processes, improve compliance and ensure all contracts offer value for money.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• Review of scope of the current planned system, ensuring that the system meets all the requirements of the Procurement Act 2023 (PA).</li> <li>• Review of implementation plan, including timescales and budget. This includes a review of the programme to date to identify lessons learnt and make the changes to ensure successful implementation for the remainder of the programme. The new system will not be in place for February 2025 and therefore alternative manual processes are being developed to ensure compliance with PA.</li> <li>• Strengthened governance of the implementation progress has been put in place with SRO as the Director of Finance and for which the Programme Board includes all key stakeholders who enable the delivery.</li> <li>• Communications and engagement plan with services to ensure implementation at the point of organisational readiness.</li> </ul> <p>It is recognised that the implementation of a new system supports the Procurement Modernisation Plan. Therefore, although a key factor, its implementation alone will not lead to the improvements needed in Procurement practice and compliance which will require a series of other actions which are currently in progress (See Management Response on next page).</p> <p><b>S151 Officer – September 2025</b></p>

# Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
6	High	The Council should ensure services do a stock-take of contracts held to ensure procurement have access to this information and any key responsibilities and renewal dates therein.	<p>This recommendation is accepted. A review of procurement processes is underway and in line with the Procurement Act 2023 (PA) that will come into force in February 2025. This includes:</p> <ul style="list-style-type: none"> <li>• Centralisation of all procurement activity associated with contracts over £25,000 which will be managed and overseen through the Strategic Procurement Team. Strategic Procurement will also monitor and ensure compliance for spends under £25,000.</li> <li>• All contracts over £2m to be published on the website to align with the PA.</li> <li>• Directors required to submit quarterly an update on their pipeline of procurements planned for the next two years, with Strategic Procurement maintaining an up to date contracts register.</li> <li>• Communications and Education plan to be developed to ensure all services comply with the requirements of the PA and new CSOs, including a review of the Code of Practice.</li> <li>• Establishment of a new Procurement Board which will among other things will oversee the pipeline of procurement activity (monitoring progress and timeliness of forthcoming procurements), compliance with CSOs, review of individual procurements at each gateway stage and compliance monitoring of all procurement activity.</li> </ul> <p><b>S151 Officer – September 2025</b></p>

# Significant Value for Money Risk

## 7

### Agency Staff

Risk that value for money arrangements may contain a significant weakness linked to economy, efficiency & effectiveness

#### Significant Value for Money Risk

The Council utilises significant levels of agency staff, resulting in a risk of increased spend and lack of continuity across various services.

#### Our response

We have assessed the level of agency spend and headcount across the council to understand the underlying factors and benchmarking against other local councils.

#### Our findings

##### Findings

The Council has a higher agency spend than most - circa 20% of payroll spend - putting it at the top end of London Councils. Particular issues arise within social workers and professional capacities such as accountants, lawyers & town planners.

The council is overpaying for specific roles as they are unable to fill them substantively – albeit there are some associated cost mitigations (e.g. pension costs).

More pertinent are the potential non-financial implications of high temporary staffing levels. A high turnover of staff may lead to the disruption or reduced quality of important public services.

Additionally, significant agency use is associated with higher staff turnover, which increases the risk of loss of knowledge and ‘corporate memory’ when staff members leave, as well as the subsequent pressures associated with training incoming staff.

Staff may also be less likely to ‘buy into’ the Councils long term strategic objectives, affecting the ability to meet these goals.

The latest available data shows Haringey having an agency headcount of 15.99%, putting it third out of the London Boroughs. This data is subject to change but unlikely to move significantly.

Overall agency spend of £45m is the third highest overall, and highest in outer London. However, this data may be skewed by the level of insourced services offered by the Council versus outsourced (where cost would not be categorised as staff costs) when compared with other boroughs.

##### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements. The financial implications of high agency usage are broadly cost neutral. This is an issue across London councils and although needs action, it does not equate to a significant weakness.

# Appendices

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# Local Audit - Reset and Recovery

## Background

It has been widely reported the level of delays in Local audit had grown to an unacceptable level. As a result, Central Government has been working with the Financial Reporting Council (FRC), as incoming shadow system leader and other system partners to develop proposals to address issues in the local audit. These consist of three stages:

Phase 1: **Reset** involving clearing backlog of historical audit opinions.

Phase 2: **Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycle.

Phase 3: **Reform** involving address systemic challenge in the local audit system and embedding timely financial reporting and audit.

## Implementation of Reset and Recovery

The Accounts and Audit (Amendment) Regulations 2024, introduced backstop dates by which local bodies must publish audited accounts and the NAO have also issued the revised 'Code of Audit Practice 2024' [Code of Audit Practice](#) that requires auditors to give an opinion in time to enable local bodies to comply with the backstop date. The table overleaf identifies the backstop dates and the status of your audits where impacted.

The NAO has also published Local Audit Rest And Recovery Implementation Guidance (LARRIGs), which have been prepared and published with the endorsement of the FRC and are intended to support auditors in meeting their requirements under the Act <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors>

# Local Audit - Reset and Recovery

Financial year	Date
Up to 2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

## Recovery period and audit work

The implication of receiving a disclaimed audit opinion for 3 financial years to and including 2022/23 means that for the financial year 2023/24 we have not been able to rely on the opening balances from 2022/23.

To obtain sufficient appropriate audit evidence over opening balances, auditing standards identify two approaches. One of those is to use the working papers and other information available on the prior year audit file, which as noted above has not been possible as the outgoing auditor has not been able to complete their audit. An alternative approach is the performance of specific audit procedures to obtain evidence regarding opening balances.

The LARRIGs, in particular LARRIG 05 *Rebuilding assurance following a disclaimed audit opinion*, was only finally published in September 2024 and further guidance, mentioned in the LARRIG in the format of a case study was only released in December 2024.

We also note there is an ongoing sector wide process, convened by the Financial Reporting Council (FRC) with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances. This, along with the backstop date for 2022/23 being only 2 months prior to that of the 2023/24 period, has limited the extent of building back assurance that has been possible in 2023/24.

During our audit of 2023/24 we have completed certain work on the closing balances for 2023/24 and in year transactions (see pages 4 to 6) and this will contribute to rebuilding assurance.

The table overleaf identifies an indicative pathway to returning to an unmodified opinion. However, it must be noted this is only an indicative pathway and the speed of progress will depend on a range of factors including the level of work required to provide assurance on opening balances, in particular PPE balances and reserves balances.

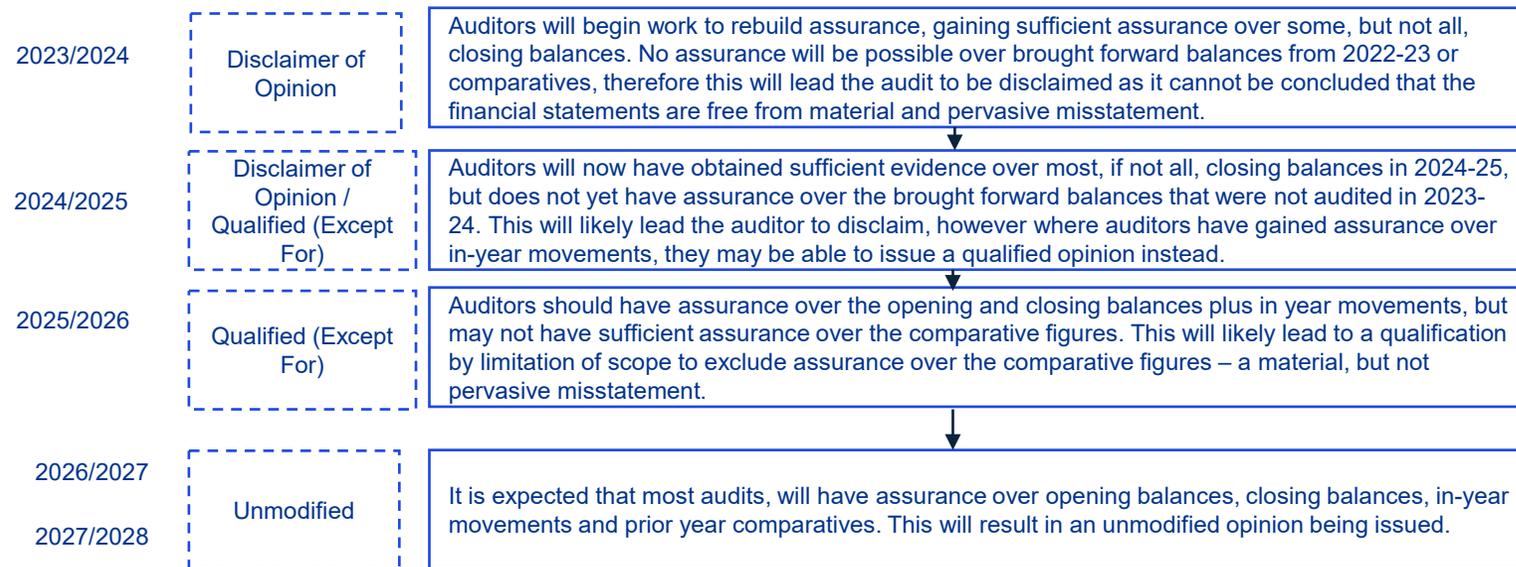
# Local Audit – Reset and Recovery

## Rebuilding assurance

Given the importance and complexity of reserves balances and management, a detailed risk assessment will be undertaken to understand the level of work required to obtain sufficient appropriate audit evidence on the reserves balances. As noted on the previous page, there is an ongoing sector wide process with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances.

We note there may be other factors which impact on the speed of this work – such as the support provided by the audited entity and availability and quality of audit evidence. Where such support is not provided and the availability and quality of audit evidence is not present this will significantly impact on the time taken to build back assurance and the likely cost of such a process in terms of audit fees. We note the challenges identified on page 6 regarding this year’s audit, in particular around the quality and availability of transaction listings and supporting evidence. As we complete our debrief with management, we can discuss how assurance can be gained on individual account balances and ultimately lead to a position that unmodified opinions can be issued in future years.

**Indicative pathway based is reproduced from the LARRIGs**



# Required communications

Our response to these required communications reflects the status of the audit at the point of the backstop.

Type	Response
<b>Our draft management representation letter</b>	<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 2024.
<b>Adjusted audit differences</b>	<input checked="" type="checkbox"/> OK There were 2 adjusted audit differences with no surplus impact. See page 46.
<b>Unadjusted audit differences</b>	<input checked="" type="checkbox"/> OK There were 2 unadjusted audit differences to report with a surplus impact of £9.9m. See page 46.
<b>Related parties</b>	<input type="checkbox"/> X We have been unable to complete our work on related parties for the reasons on pages 4 and 5.
<b>Other matters warranting attention by the Audit Committee</b>	<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.
<b>Control deficiencies</b>	<input checked="" type="checkbox"/> OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
<b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b>	<input type="checkbox"/> X We are aware of an instance of historical fraud for which the linked control environment has not yet been remedied or the potential impact assessed. As such we are not able to conclude as to whether this could result in a material misstatement in the financial statements.
<b>Issue a report in the public interest</b>	<input checked="" type="checkbox"/> OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
<b>Significant difficulties</b>	<input type="checkbox"/> X As discussed on Page 4, we encountered various significant difficulties linked to the availability and quality of audit evidence.
<b>Modifications to auditor's report</b>	<input type="checkbox"/> X Our audit opinion will be disclaimed. Further details of this draft opinion will be provided in due course.
<b>Disagreements with management or scope limitations</b>	<input checked="" type="checkbox"/> OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>	<input checked="" type="checkbox"/> OK No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
<b>Breaches of independence</b>	<input checked="" type="checkbox"/> OK No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>	<input type="checkbox"/> X Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. As detailed on pages 4 and 5, there are several areas over which we have not been able to complete our work.
<b>Significant matters discussed or subject to correspondence with management</b>	<input checked="" type="checkbox"/> OK There were no significant matters arising from the audit.
<b>Certify the audit as complete</b>	<input type="checkbox"/> X We have not yet certified the audit as complete because our work on WGA is outstanding. We are also yet to resolve an elector objection received relating to moving parking income. The amount of this form of income received in 2023/24 is immaterial but there may have been a historic material impact on reserves. As our disclaimer extends to reserve balances we are able to still sign the audit report.
<b>Provide a statement to the NAO on your consolidation schedule</b>	<input checked="" type="checkbox"/> OK We will issue our report to the National Audit Office following the completion of our work.

# Fees

## Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	499.3	159 <sup>(a)</sup>
ISA315r	17.4	-
Financial Statement and VFM Fee Overruns	TBC	
<b>TOTAL</b>	<b>TBC</b>	<b>159</b>

We are also the auditor for Haringey Pension Fund. While our fees are reported separately for that engagement, for 2023/24 this is £76.891.

Note: (a) Fee charged by BDO – your predecessor auditor.

## Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement).
- We will also be charging additional fees for the matters identified on page 5 in relation to Significant challenges progressing work but have not yet agreed the value.
- Additional fees charged are subject to the fees variation process as outlined by the PSAA.

# 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 Haringey London Borough Council.**

**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 2024 £
1	Housing benefit grant certification	None identified	<ul style="list-style-type: none"> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	£74,000
2	Teachers' Pensions audit	None identified	<ul style="list-style-type: none"> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	£5,500
3	Pooling Of Housing Capital Receipts	None identified	<ul style="list-style-type: none"> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	£6,500

# 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 **xx: 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.

	2023/24
	£'000
Scale Fee and agreed fee variations	TBC
Other Assurance Services	86.0
<b>Total Fees</b>	<b>TBC</b>

## 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

# 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 Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit differences (£'000s)				
No.	Detail	SOCI Dr/(cr) £m	SOFP Dr/(cr) £m	Comments
1	Dr Depreciation	-	1.6	WHE had not received updated information for valuation issuance because the council were waiting for this information from the service. Assets were held at cost at 31/03/2024 then information arrived post publication of accounts that they should be held at nil value.
	Cr Investment Property	-	(1.6)	
2	Dr Accruals	-		- The Council continued to accrued for expenditure with Fusion Lifestyle in relation to leisure services with no confidence this money would ever be owed. The Council have moved this amount
	Cr Provisions	-		- between balance sheet codes with a nil effect on the income statement.
<b>Total</b>		<b>-</b>		

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the 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 Committee, details of all adjustments greater than £1m are shown below:

Uncorrected audit differences (£'000s)				
No.	Detail	SOCI Dr/(cr) £m	SOFP Dr/(cr) £m	Comments
1	Dr Accruals	-	1.2	The Council over accrued for expenditure in relation to technology charges, when compared to the actual invoice received. This over accrual was £15k, however we have projected this over the entire GRNI accrual balance using our statistical sampling software, leading to a projected misstatement of £1.2m.
	Cr Expenditure	(1.2)	-	
<b>Total</b>		<b>(1.2)</b>	<b>1.2</b>	

# Corrected audit misstatements (cont.)

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the 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 Committee, details of all adjustments greater than £1m are shown below:

Uncorrected audit differences (£'000s)				
No.	Detail	SOCI Dr/(cr) £m	SOFP Dr/(cr) £m	Comments
1	Dr Defined Benefit Asset	-	8.7	Whilst verifying the input data used within the calculation of the scheme valuation; by obtaining the direct confirmation from auditors of the pension fund, we noted an overstatement in benefits paid during the year
	Cr Defined Benefit Obligation	(8.7)	-	
<b>Total</b>		<b>(9.9)</b>	<b>9.9</b>	

# 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	<b>1</b>	<p><b>Journals Review Control</b></p> <p>Journal controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria in order to be considered effective. Criteria include:</p> <ul style="list-style-type: none"> <li>• documentation requirements for the objective being tested</li> <li>• consideration of the data and its reliability</li> <li>• the expected precision and allowable deviations present in the control</li> <li>• the consistency of application</li> <li>• the predictability of inputs, the criteria for investigation / follow up and the outcome of such follow ups.</li> </ul> <p>We note that whilst management were able to evidence what they deem to be an effective review process, the journal control does not meet these strict criteria and the threshold set as per the auditing standards. We recommend management fully document the journals review process. As set out above, this should include clearly defined criteria for selection of journals, confirmation that each journal selected has been reviewed along with the supporting documentation and that the posting is accurate and appropriate, and formal documentation of the review conclusions.</p>	<p>This recommendation is accepted by management and an additional step within our journal review process will be put in place to ensure that this criteria is met.</p> <p>Chief Accountant – June 2025</p>

# Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	1	<p><b>Timeliness &amp; Accuracy Of The Valuation Process</b></p> <p>We noted that the information provided to the valuer was incomplete, resulting in the valuer being unable to provide a value for circa £50m of assets that were in use at year end. In respect of Investment Property, the valuer was not informed of all in-year rent increases. As such, the valuations undertaken did not reflect the correct rental values. The council's calculation using the value of these rental increases using its leasing model resulted in an initial value of £16.5m that was disclosed in the accounts. Upon further inspection by WHE, they assigned a value of £15.7m to these properties, giving a variance of £760k, below AMPT – hence this has not been included in our reporting as a misstatement. As such, the information in relation to the 23/24 valuation was not fully provided to WHE until after the publication of the accounts.</p> <p>We also found that several properties valued on an EUV-SH basis were assigned the incorrect Beacon when compared to the underlying data held by the Council, resulting in an incorrect value being attributed to the properties. There is a wider risk of error here in terms of the completeness and accuracy of the data.</p> <p>We recommend that management engages with the valuation process earlier in the cycle and that the process is finalised before the publication of the accounts. We also recommend a review of the Council's properties to ensure that they are appropriately categorised as per the information sent to the valuer.</p>	<p>We acknowledge that the updated rent increases were not reflected in the information provided to the valuers. This has been discussed with the Property Service who will ensure that this additional check is in place and ensure that this is done before information is sent to the valuers. As stated in the findings, we made a prudent estimate that ensured that the accounts was not materially misstated.</p> <p>We recognise that from the sample chosen, one hostel was classified as a beacon hostel, and the other classified as beacon - a one bedroom bedsit. Management will therefore review our records to ensure that the beacon categories are consistent. Notwithstanding this discrepancy, the valuation for both properties was correct.</p> <p>Chief Accountant – October 2025</p>
3	2	<p><b>Management Review Of Actuarial Assumptions</b></p> <p>Management review 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. However, 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.</p> <p>We recommend that management engages a third party independent expert to review and analyse the assumptions made by the actuaries.</p>	<p>The valuation of pension assets/ liabilities is a complex exercise involving a high level of subjectivity using a number of assumptions. For this reason, the council is currently utilising the services of a highly rated independent actuary to carry out the valuation. Management will discuss this recommendation with the actuary and also engage with other councils to find out how they intend to deal with this challenge.</p>

# Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
4	2	<p><b>Management Review Of Valuation Assumptions</b></p> <p>In line with International Standards on Auditing (ISA), auditors are required to assess the design and implementation of controls where there is a significant audit risk. In the case of the valuation of land and buildings, we seek reliance on management's review and challenge of the assumptions and approach adopted in the asset valuation at year end, as a control.</p> <p>Upon receipt of the valuation report, management should perform a formal, documented review of the assumptions and approach taken to ensure it is applicable to the Council and reflects its asset base.</p>	<p>The Chief Accountant's Team is working with the Property Services to incorporate additional steps within our review processes including a formal documented review of the valuers assumptions and approach.</p> <p>Chief Accountant – April 2025</p>
5	2	<p><b>Finance Oversight Of Capital Additions</b></p> <p>Through risk assessment procedures and discussion with individuals at the entity, it was noted that the finance team do not full oversight of the master plan of all ongoing capital projects to be able to monitor the completion of projects. We also identified several projects during the mid year risk assessment which had been completed and needed to be recategorised.</p> <p>The risk from the above is that capital spend is incorrectly held in assets under construction, rather than transferred into additions, where depreciation would begin.</p> <p>We recommend that the finance team be more involved within the capital process and have enhanced oversight of projects and their completion to ensure that spend is appropriately categorised.</p>	<p>There is a process in place to monitor capital projects and capture AUC completions. However, in some cases, due to the closeness of the completion date to the year-end, this completion was not recorded in time. The plan will be closely monitored and procedures reviewed to ensure newly created assets are appropriately categorised at year end. In addition the Council is undergoing a review of its capital programme governance and monitoring and this recommendation will e overseen by the Strategic Capital Board.</p>
6	2	<p><b>Completion &amp; Timeliness Of Bank Reconciliations</b></p> <p>As part of our review of the Council's bank reconciliations, we noted that there were thousands of transactions totalling to a material value that were unreconciled, with these transactions dating back several months, with a few items even several years old. This occurred as the Council did not keep up to date in reconciling the daily 'sweep' of cash within SAP, causing large unreconciled balances to offset across various bank accounts.</p> <p>We also noted that the preparation and review of these bank reconciliations was often completed a significant amount of time after month end.</p> <p>We recommend that management brings these reconciliations up to date and improves the month end process to ensure that all reconciliations are prepared and reviewed in a timely manner.</p>	<p>In 2023/24, there was delay in reconciling some of these accounts at year end. However, the reconciliations were completed at a later date and this had no material impact the council's balances at year end. Management will reinforce the monthly review the bank reconciliation statements through monitoring on a monthly basis.</p> <p>Treasury &amp; Banking Team - April 2025</p>

# Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
7	2	<p><b>De Minimis Accruals Threshold</b></p> <p>Any items relating to income or expenditure that fall below £20,000 are not accrued or deferred in the accounts, that is, they are recorded in the period in which the cash is received or spent rather than the period to which they relate i.e. on a cash basis. The risk here is we cannot confidently conclude how many transactions this has been applied to and the value of the impact - albeit they would be unlikely to reach the materiality threshold.</p> <p>We recommend that the £20k threshold is removed and the accounts are appropriately prepared on a full accruals basis.</p>	<p>Even though the policy states that it is £20k, in practice, managers have the discretion to post amounts below this threshold. The accruals process includes checking after year-end payments and receipts in each service area with a view of accruing where the sum of small amounts add up to material totals.</p> <p>Any charges not accrued would impact on the services' ability to spend in the following year. A review of previous year accruals confirms that amounts far below this threshold were accrued at year-end.</p>
8	2	<p><b>Approval Of Significant Related Party Transactions</b></p> <p>Auditing standards require us to obtain an understanding of related party processes and controls that:</p> <ul style="list-style-type: none"> <li>• identify all related parties, relationships and transactions</li> <li>• authorise and approve significant related party transactions and arrangements; and</li> <li>• account for and disclose all related party relationships and transactions in the financial statements.</li> </ul> <p>We are satisfied management have a process in place to identify related parties and related party transactions retrospectively through receipt of declarations of interest (DoI), and then an exercise is carried out whereby finance search all ledgers to identify transactions with said related parties at the period end. The process and control in place to collate and ensure receipt of Dols from individuals is a proportionate control to have in place.</p> <p>However, there is no formal, documented control in place to authorise or approve significant related party transactions before they are entered into. Many of the related party transactions are through the normal course of business, however audited entities are required to have identified controls in place to formally authorise significant transactions.</p> <p>We recommend management establish a control to authorise significant related party transactions.</p>	<p>These related parties are local partner organisations mostly voluntary which facilitate the council's responsibilities for service provision eg. supporting education improvement in schools, organising resident empowerment programmes, etc. The same controls, approvals, authorisation, and monitoring of third party transactions apply to related party transactions. Management will review the implication of this recommendation and engage with the external auditors on this.</p>

# Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
9	2	<p><b>IFRS16 Impact Not Calculated</b></p> <p>The Council plans to implement the new lease accounting standard, IFRS 16, effective April 1, 2024. A review of the IFRS 16 pre-transition disclosures in the draft financial statements revealed that management has only included qualitative disclosures, without providing quantitative impact information. 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. There is a risk that delaying this assessment could lead to errors, insufficient review time, and potentially material misstatements.</p> <p>We recommend that management ensure that the quantitative impact assessment is scheduled and completed promptly, allowing sufficient time for review and challenge before posting transition adjustments.</p>	<p>The implementation of IFRS 16 comes into force as of 1st April 2024. Work has commenced and is on track to report the quantitative disclosures in the 2024/25 accounts</p> <p>Chief Accountant – July 2025</p>
10	2	<p><b>Northgate Data Inconsistencies</b></p> <p>As part of our work over HRA &amp; valuation we identified several inconsistencies over the Northgate data.</p> <p>When requesting listings relating to HRA income from Northgate, the listings did not reconcile to the general ledger due to Northgate being a live system. This resulted in individual listings requested through a Northgate specialist at a point in time. When these were provided, they could only be done so in PDF format, leading to additional delays.</p> <p>Through our testing of the social housing valuation, it was identified that the Council could not provide supporting evidence to confirm the archetype of older properties listed in Northgate. The initial evidence has not been retained over the years and systems used.</p> <p>We recommend that the Council produces and retains the Northgate listings as at year end to ensure that the supporting listings match the figures within the accounts.</p>	<p>This recommendation is accepted. The Excel reports provided as part of the audit working papers did not reconcile to the general ledger at 31 March 2024. The subsequent PDF reports provided reconciled with the general ledger. Management will ensure that for the 2024/25 accounts, the working paper is produced on 31 March 2025 and to provide a snap short in time because Northgate is a 'live' system.</p> <p>Northgate is the record system for our property attributes e.g 4 Bedroom House. The tenancy agreement derives information from Northgate. New tenancy agreements would include the property attributes. Older tenancy agreements (eg 1970s), may not include property attributes. If there is a discrepancy, it would be noticed on sign up (showing the tenant around), and Northgate and the tenancy agreement would be amended accordingly.</p> <p>Chief Accountant – March 2025</p>

# Value for Money: Best Practice Recommendations

The recommendations raised as a result of our work in respect of areas that have not resulted in significant weakness in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	<p><b>3</b></p> <p>It is important to keep governance policies regularly updated to adapt to changing regulatory &amp; legal environments as well as to continuously improve.</p> <p>We have identified several key policies that were significantly past review date, such as:</p> <ul style="list-style-type: none"> <li>• Anti fraud policy (2022)</li> <li>• Code Of Governance (2019) (Since updated in May 2024)</li> </ul> <p>We also identified there is no Business Continuity Plan.</p> <p>In order to ensure that there is an effective governance process in place across the Council and its committees, we recommend that all policies are regularly refreshed and updated, with a central register maintained for review dates to track compliance.</p>	<p>The anti fraud policy has been refreshed and was approved by the Audit Committee in October 2024. The Local Code of Corporate Governance was also refreshed and approved by the Full Council in July 2024. Due to the number and range of policies across all Council functions, responsibility for maintaining Council policies rests with key officers. We will capture key governance policies and use the existing annual review of our governance arrangements to maintain our governance policies.</p> <p>Head of Internal Audit – March 2025</p>	
2	<p><b>2</b></p> <p>It is important that risk registers are appropriately discussed and challenged so the Council is fully aware of the environment it operates in and can proactively respond to any issues.</p> <p>Current minutes of meetings do not fully reflect this is the case – albeit we have attended Audit Committee meetings where officers ask pertinent questions relating to risk. Through inquiry we learned that the Council moved towards a more actions based approach to minute taking.</p> <p>We recommend the Council reassess this to ensure accurate accounts of discussions held are available for public consumption.</p>	<p>The Council records all its Audit Committee meetings in full and the recordings are available online for viewing on the Council’s website. The minutes are not verbatim, they capture the decisions made following any discussion on risks. The level of detail captured in the minutes will be reviewed to consider highlighting key matters raised from the discussion of Council risks.</p> <p>Head of Internal Audit – February 2025</p>	

# Value for Money: Best Practice Recommendations (cont.)

The recommendations raised as a result of our work in respect of areas that have not resulted in significant weakness in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	2	<p>The Council utilises significant levels of agency staff, resulting in a risk of increased spend and lack of continuity across various services.</p> <p>Through inquiry we were made aware the Council struggles to hire to permanent full-time positions.</p> <p>We recommend the Councils reviews its workforce strategy to ascertain if it is suitable attract people with the right skills and values.</p>	<p>The Council does have higher levels of agency spend than neighbouring authorities, albeit it has reduced over the last twelve months. Individual Directorates have targets to reduce their agency spend over the next 12 months and all new requests for agency are considered on a case by case basis and approval by Recruitment Panel. All services are required to prepare a Workforce Plan, which amongst other things will set out a plan to improve recruitment and retention and reduce agency levels.</p> <p>S151 Officer – March 2026</p>
4	3	<p>We recommend the Council monitors ‘time to hire’ metrics to identify bottlenecks in the recruitment process.</p>	<p>The Council will consider scope of including this indicator into future monitoring.</p> <p>S151 Officer – March 2026</p>
5	2	<p>We recommend the council incorporates the concept of Equal Value within its risk management framework to ensure the issues are escalated quickly where appropriate and the actions and assurances that have been developed in responding to previous Equal Value claims can be shared effectively and quickly where similar issues were to arise in the future</p>	<p>Management accepts this recommendation</p> <p>S151 Officer</p>

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

## Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

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

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

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

Following our assessment, we have identified matters to report to Those Charged with Governance. These are related to a historical fraud relating to the spend that was below, and therefore took advantage of, the £160k procurement system threshold. Due to the potential impact of this fraudulent activity upon the in-year expenditure and the fact that an investigation into whether there are any other similar such transactions had not yet been concluded in time for the backstop date, we have not been able to quantify the potential impact of fraudulent activity upon the 23/24 financial statements.

# ISA (UK) 315 Revised: changes embedded in our practices

## Summary

**In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.**

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

### What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

### Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

### What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

# ISA (UK) 600 Revised: Summary of changes



## Summary

ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023.

The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

Area	Summary of changes and impact	Effect on audit effort
Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquires of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.	
Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.	
Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor's planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.	
Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.	
Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.	
Application of materiality and aggregation risk	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor's work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
Revised independence principles	This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components.	



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