



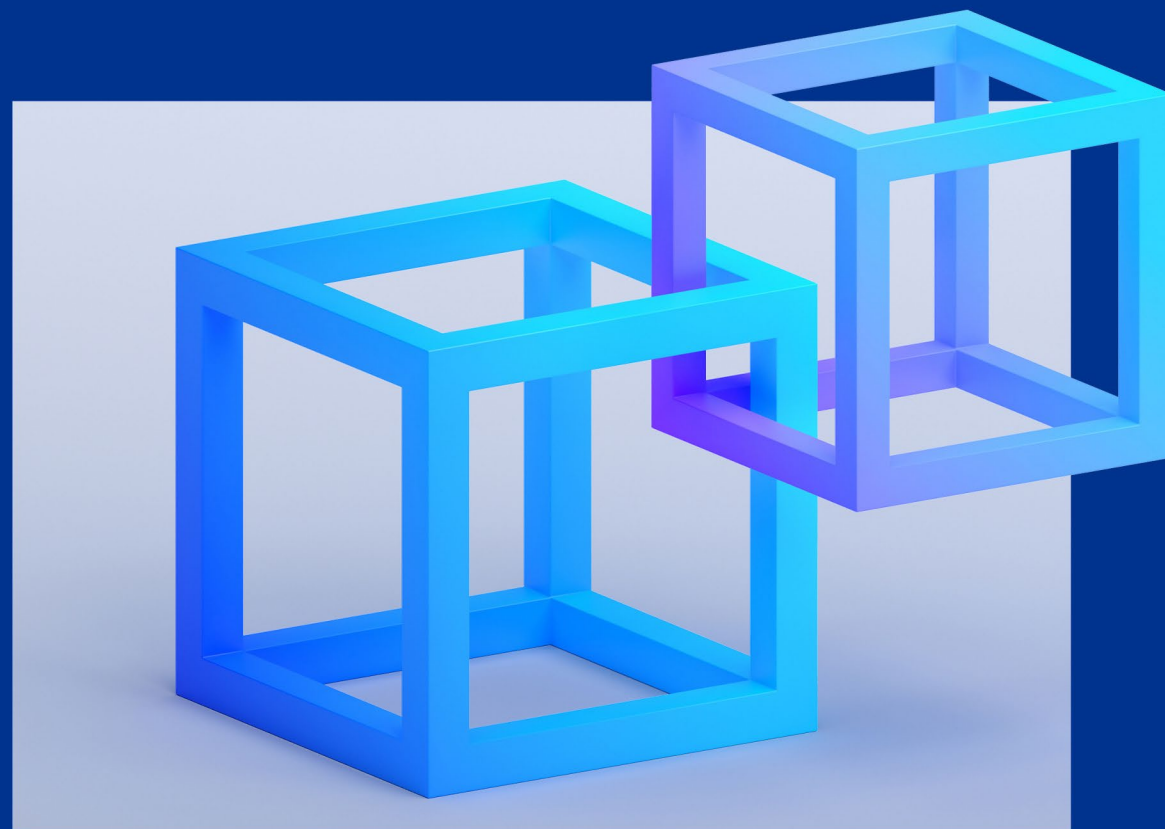
Haringey London Borough Council

DRAFT Year End Report to the Audit Committee

Year end report for the year ended 31 March 2025

—

29 January 2026



Introduction

To the Audit Committee of Haringey London Borough Council

We are pleased to have the opportunity to meet with you on 29 January 2026 to discuss the findings and key issues arising from our audit of the consolidated financial statements of Haringey London Borough Council (the 'Council') (and its subsidiaries (the 'Group')), as at and for the year ended 31 March 2025.

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

How we deliver audit quality

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

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

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

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

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

The engagement team

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit report on the approval of those statement of accounts and auditor's representation letter on 27 February 2026, provided that the outstanding matters noted on page 7 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan. 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 February 2026

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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 and its subsidiaries (the 'Group') for the year ended 31 March 2025.

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 but does not repeat matters we have previously communicated to you by written communication.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the 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 (to the extent it has been possible in the context of our disclaimer of opinion - see pages 4-6).

Status of our audit and the implications of the statutory backstop

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

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

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



The statutory backstop and rebuilding assurance

Background

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

Last year, amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which introduced the requirement for audit reports in respect of any open, incomplete audits up to the period ending 31 March 2023 to be published by 13 December 2024. It also introduced a statutory back stop date of 28 February 2025 for the 2023/24 audit. For the Authority this had the impact of 3 disclaimers of opinion issued by your predecessor auditor for 3 financial years up to and including 2022/23. We then issued a disclaimer of opinion for 2023/24 on 28 February 2025 to comply with the statutory backstop date for the reasons set out in our Basis of Disclaimer Opinion below.

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

We note the LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

The 2023/24 audit

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

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

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date.

These areas include, but were not limited to, the assessment of any impacts on the financial statements in respect of the outstanding objection and incidences of fraud, the carrying amount of property, plant and equipment, pension assets, the valuation of investment properties, disclosures of related party transactions, and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2024 in relation to both the Group and the Council.

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

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

The 2024/25 audit

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

We are yet to start our rebuilding assurance risk assessment. Once this is complete, we will report separately the findings. The reason we have not started our rebuilding assurance risk assessment is because of the:

- impending backstop date;
- as noted on page 6 we have not been able to complete the work on a number of balances related to 2024/25.

The statutory backstop and rebuilding assurance

Impact on our audit report on the financial statements

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

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

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

Other matters

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

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

Value for Money

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

Page 24 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2024/25.

The statutory backstop and rebuilding assurance

Work completed in 2024/25

Our audit plan, presented to you on 22 July 2025 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks in the pages overleaf, identifying the work we have and have not been able to complete.

Although we will be issuing a disclaimer of 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. Our audit is not yet complete. The status below sets out the current status of our work. We will provide an oral update on the status. Our conclusions will be discussed with you before our audit report is signed.

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

Significant risks

- Valuation of post retirement benefit obligations
- Expenditure recognition
- Valuation of Land & Buildings (specifically Other Land & Buildings)

Other areas

- Income
- Expenditure
- Loans & Borrowings
- Cash & Cash Equivalents
- Debtors & Creditors
- Investment Property

In terms of additional procedures over expenditure, we have also considered the impact of ISA600r and how this affects the treatment of schools' expenditure.

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

- Split of usable and unusable reserves for the year ended 31 March 2025;
- Opening balances
- Work associated with significant risks on: Valuation Of Land & Buildings (specifically Council Dwellings); Management Override Of Controls (specifically an inability to identify and test high risk journals)
- Other work areas: IFRS16; Housing Revenue Account.
- The disclosed comparative figures for the Group and Council's income and expenditure for the year ended 31 March 2024, and the comparative figures in the balance sheet as at 31 March 2024 as disclosed in the 'Basis of Disclaimer Opinion' section of our 2023/24 audit report (see page 4).

Significant challenges with progressing work

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

- *Delays in management & the wider service lines providing some of the required information such as sample requests and listings;*
- *Quality of transactions listings, specifically the high level of reversing entries within expenditure listings;*
- *Quality of audit evidence, specifically the level of supporting documentation for expenditure transactions resulting in a high number of challenges back to management.*

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

We have considered the impact of these issues on our audit and have discussed fee variations with management. These are outlined on page 30.

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



Our audit findings

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

Significant audit risks	Pages 9-19
Significant audit risks	Our findings
Valuation Of Land And Buildings	We have assessed the assumptions driving the valuation as neutral. However, we have not been able to confirm the accuracy of the information that underpins all the valuation, specifically the assignment of Council Dwellings to each Beacon. Linked to this, we have identified that the prior year control deficiency around inaccuracies in the Northgate data has not been remediated, see page 43 for further details.
Management Override Of Controls	Due to time constraints, we have not reached a conclusion over this significant risk as a result of issues with our work on Journals. We have concluded our work on Related Parties and identified a control deficiency as noted on page 13.
Valuation Of Post Retirement Benefit Obligations	The Local Government Pension Scheme (LGPS) actuarial assumptions adopted by the Council are considered to be balanced overall when compared to KPMG Central Rates.
Expenditure Recognition - Completeness	We have completed our work over this significant risk with no issues noted.

Uncorrected Audit Misstatements		
Understatement/ (overstatement)	£m	%
N/A – No uncorrected misstatements		

Number of Control deficiencies	Page 36-43
Significant control deficiencies	0
Other control deficiencies	4
Prior year control deficiencies remediated	8

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 6. The following items are outstanding to finalise our audit:

- Finalisation of pensions testing
- Social Care Information testing
- HRA Income invoice testing
- Grant income testing
- Finalisation of KPMG forensics analysis of historical expenditure fraud
- Final disclosure checklists
- Management representation letter
- Finalise audit report and sign

Significant risks and Other audit risks

Key: # Significant financial statement audit risks

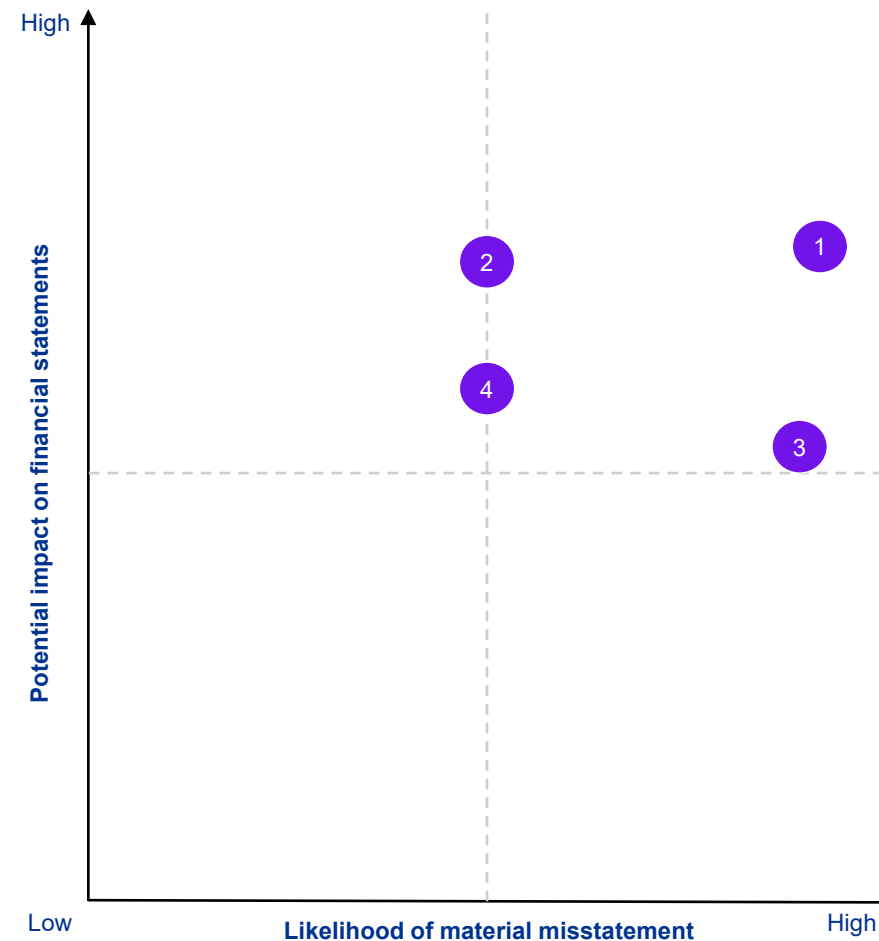
We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which the 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.

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

Significant risks	
1.	Valuation of land and buildings
2.	Management Override Of Controls
3.	Valuation of post retirement benefit obligations
4.	Expenditure recognition

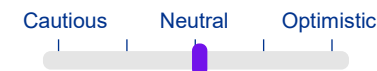


Audit risks and our audit approach

1

Valuation of land and buildings

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



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.

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

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.

In particular our significant risk is focussed upon the assumptions used to produce the valuation, such as BCIS Indices, Obsolescence, Cost Per Square Metre Of Gross Internal Area and Yield Rates.

The value of the council's Land & Buildings at 31 March 2025 was £2.9bn, with c.£1.9bn valued at Existing Use Value (EUV) & £942m at Direct Replacement Cost (DRC).

Key:  Current year



Our response

We have performed the following procedures :

- We critically assessed the independence, objectivity and expertise of Wilks Head & Eve LLP, the valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code;

To directly address the significant risk around the underlying assumptions driving the valuation:

- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings including the key assumptions utilised such as BCIS Indices, Location Factor, Social Housing Discount, Cost Per Square Metre Of Gross Internal Area and Yield Rates;
- We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers for Alexandra Palace, to confirm the appropriateness of the methodology utilised; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

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.

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

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.

In particular our significant risk is focussed upon the assumptions used to produce the valuation, such as BCIS Indices, Obsolescence, Cost Per Square Metre Of Gross Internal Area and Yield Rates.

The value of the council's Land & Buildings at 31 March 2025 was £2.9bn, with c.£1.9bn valued at Existing Use Value (EUV) & £942m at Direct Replacement Cost (DRC).

Key:  Current year



Our findings

- We found the design and implementation of management review controls in relation to the underlying assumptions that drive the valuation to be ineffective, which is in line with the control deficiency raised in the prior year. Given that this remains for the current year and management have confirmed they continue to accept the residual risk, we have not re-raised this deficiency as a recommendation in the current year. See page 40 for further details.
- We have assessed the independence, objectivity & expertise of Wilks Head & Eve LLP (WHE), the valuers used to develop the valuation, with no issues noted.
- We have confirmed the accuracy of the floor areas used in the valuation to supporting evidence with no issues noted.
- We noted that the Council's Land & Buildings were valued in two tranches by WHE due to their availability, which means that we identified material adjustments made to reflect the fair value of the Council's Land & Buildings due to the fact that the first draft of accounts was published before all of the assets had been valued.
- Linked to the above, we have noted an unremediated control recommendation around the timeliness & accuracy of the valuation process, given both the delays and the valuation of several assets that the Council no longer owns, causing inefficiency in the process. See further details on page 39.

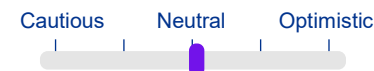
Council Dwellings - £1.7bn

- To test the accuracy of the underlying data and confirm that each property is assigned to the correct Beacon, we tested a sample of 60 properties to agree back to tenancy agreements or fire risk assessments. We were only able to confirm that the property type & number of bedrooms were correct on 57/60 of our sample, and of the remaining 3 items we identified errors in 2 and were unable to obtain any evidence for the final item. As a result, we are not satisfied that the allocation of properties to each Beacon is accurate and cannot conclude our work over Council Dwellings.

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.

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

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.

In particular our significant risk is focussed upon the assumptions used to produce the valuation, such as BCIS Indices, Obsolescence, Cost Per Square Metre Of Gross Internal Area and Yield Rates.

The value of the council's Land & Buildings at 31 March 2025 was £2.9bn, with c.£1.9bn valued at Existing Use Value (EUV) & £942m at Direct Replacement Cost (DRC).

Key:  Current year



Our findings

- For the £1.7bn of Council Dwellings valued at EUV-SH we have assessed the underlying assumptions of Indexation, Beacon Valuation & Social Housing Discount as neutral. However, we note for the Indexation assumption - which is required as WHE have indexed the full valuation performed as at 31 March 2024 - that WHE used national data rather than Haringey specific indices, which we recalculated to result in a £18.7m cautious valuation of Council Flats and a £16.3m optimistic valuation of Council Houses. Given that these net off to a low value compared to the overall asset base we have concluded that the overall balance is neutral, however we have identified a control recommendation for WHE to utilise Haringey specific data in future valuations to provide a more accurate valuation. See page 37 for further details.

Other Land & Buildings - £1.2bn

- For the £941m of Other Land & Buildings valued at DRC we have assessed the underlying assumptions of Obsolescence, Land Value, BCIS Indices & Location Factor as neutral.
- For the £244m of Other Land & Buildings valued at EUV we have concluded that the assumptions of cost per square metre and yield rate are neutral.
- We tested a sample of Other Land & Building properties to confirm that the assignment of property to each valuation category was accurate. Whilst we encountered some challenges and delays in obtaining this supporting evidence, ultimately there were no issues noted.

Other

- Our valuation specialist has reviewed the WHE report in relation to Alexandra Palace and is satisfied that the methodology and underlying assumptions used are reasonable and balanced.

Audit risks and our audit approach (cont.)

2

Management override of controls^(a)

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



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit, however we are aware that the journals approval control does not meet the auditing standards threshold required to be deemed as effective, as reported in the previous period.



Our response

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

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business or are otherwise unusual.
- We planned to analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals with unusual double entries to cash, revenue and expenditure. However, due to initial delays in extracting the information from Haringey's ledger and then issues with mapping the chart of accounts due to the large numbers of profit centres & account code combinations, we have not been able to conclude our work on journals.

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

Audit risks and our audit approach (cont.)

2

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

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



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit, however we are aware that the journals approval control does not meet the auditing standards threshold required to be deemed as effective, as reported in the previous period.



Our findings

- We found the design and implementation of management review controls in relation to journal entries and post-closing adjustments to be ineffective, which is in line with the control deficiency raised in the prior year. We note that this is a common finding in the public sector and is not unique to Haringey, given the large extra resource it would need to implement a control to the level that would meet the requirements of the auditing standards. Given that this deficiency remains for the current year and management have confirmed they are satisfied that the residual risk is low, we have not re-raised this deficiency as a recommendation in the current year. See page 38 for further details.
- We evaluated the selection and application of the Council's accounting policies and concluded that these were in line with the 24/25 CIPFA code. However, not all items relating to income or expenditure that fall below £20k are appropriately 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 the goods or services are related. We have reported this in the prior year and given that management have accepted the residual risk we have not re-raised a recommendation in relation to this deficiency. See page 41 for further details.
- Our procedures have not identified any significant unusual transactions.
- We have completed our work over related parties and are satisfied that the disclosure within the financial statements is complete and accurate.

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

Audit risks and our audit approach (cont.)

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

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



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit, however we are aware that the journals approval control does not meet the auditing standards threshold required to be deemed as effective, as reported in the previous period.



Our findings

- However, we have identified control deficiencies in relation to the wider process for capturing related parties. For instance, we identified several instances of senior staff not having completed declarations within the required timeframe. Additionally, we identified multiple instances of nondisclosure of interests for both members & officers via a cross reference against Companies House, albeit there were no transactions with these entities to include in the year end financial statements disclosure. We recommend that management implements such checks as part of the process. We also noted that there is no central Register Of Interests held for senior staff, which increases the risk that related party transactions could be entered into unknowingly. Further detail re our recommendations is on page 36.
- We found the design and implementation of controls in relation to the approval of significant related party transactions before they are entered into, to be ineffective. We have reported this in the prior year and given that management have accepted the residual risk we have not re-raised a recommendation in relation to this deficiency. See page 42 for further details.

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

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 membership of the Local Government Pension Scheme.
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our response

We have performed the following procedures :

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

Key:

 Prior year  Current year

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 membership of the Local Government Pension Scheme.
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our findings

- We found the design and implementation of management review controls in relation to the review of the underlying assumptions to be ineffective, which is in line with the control deficiency raised in the prior year. Given that this remains for the current year and management continue to accept the residual risk, we have not re-raised this deficiency as a recommendation in the current year. See page 39 for further details.
- 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, we performed inquiries of the LGPS actuaries and no unusual transactions were noted.
- We considered the assumptions used in valuing the defined benefit obligation and concluded these to be balanced compared to our central actuarial benchmarks.
- We evaluated the appropriateness of the accounting treatment of the surplus in accordance with IFRIC 14. This involved reviewing management's rationale and the supporting assessment provided by KPMG actuaries. Based on our review, we agree with management's conclusion and the application of the asset ceiling. Following this application, the overall position resulted in a deficit, rather than a surplus.
- We have performed testing over key input data used in the Defined Benefit Obligation (DBO) valuation, including benefits paid and contributions. No material exceptions were noted, and the data was found to be materially accurate.

Key:

Prior year Current year

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 membership of the Local Government Pension Scheme.
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our findings

- We identified a disclosure misstatement in relation to the asset ceiling calculations, the scheme surplus and information relating to the ongoing Virgin Media Ltd vs NTL Trustees Limited legal case – see page 35 for further details.

Conclusion

We are satisfied we have been able to address this audit risk. The judgements reached in determining the valuation are considered to be balanced.

Key:

Prior year Current year

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

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

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

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 2025-26 to mitigate financial pressures. This risk is further heightened by the need to meet an agreed outturn to ensure receipt of resilience funding.



Our response

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

- We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely recorded;
- We inspected a sample of invoices of expenditure and payments from the bank, in the period after 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;
- We have compared the manual accruals recorded to an expected list of accruals based on our knowledge of the entity and Local Government sector to determine whether accruals are complete.

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

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

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

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 2025-26 to mitigate financial pressures. This risk is further heightened by the need to meet an agreed outturn to ensure receipt of resilience funding.



Our findings

- We have evaluated the design & implementation of controls for developing manual expenditure accruals, and as noted on page 13, we have identified a control deficiency in relation to the review of journals (and therefore the review of manual accruals), which is in line with the control deficiency raised in the prior year. Given that this remains for the current year and management have confirmed they continue to accept the residual risk, we have not re-raised this deficiency as a recommendation in the current year. See page 38 for further details.
- We have inspected a sample of invoices of expenditure in the period after 31 March 2025 and are satisfied that the expenditure has been recognised in the correct accounting period.
- We have inspected a sample of bank payments made in the period after 31 March 2025 and are satisfied that they are not indicative of any potential unrecorded liabilities.
- We have compared the manual accruals recorded to an expected list of accruals based on our knowledge of the entity & Local Government sector and this has not identified any accruals omitted.

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







Key accounting estimates overview

Our view of management judgement

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

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Council Dwellings – EUV	<div> <div>Cautious</div> <div>Neutral</div> <div>Optimistic</div> </div>	1,724.4	105.2	<div> <div>Needs improvement</div> <div>Neutral</div> <div>Best practice</div> </div>	<p>We have assessed the underlying assumptions of Indexation, Beacon Valuation & Social Housing Discount as neutral. However, we note for the Indexation assumption - which is required as WHE have indexed the full valuation performed as at 31 March 2024 - that WHE used national data rather than Haringey specific indices, which we recalculated to result in a £18.7m cautious valuation of Council Flats and a £16.3m optimistic valuation of Council Houses. Given that these net off to a low value compared to the overall asset base we have concluded that the overall balance is neutral, however we have identified a control recommendation for WHE to utilise Haringey specific data in future valuations to provide a more accurate valuation.</p> <p>However, although we have assessed the estimate as neutral, we have not been able to conclude on the Council Dwellings balance due to underlying issues with the data, see page 10 for further details.</p>
Land & Buildings - DRC		941.2	22.1		<p>We have assessed the underlying assumptions of Obsolescence, Land Value, BCIS Indices & Location Factor as neutral.</p>
Land & Buildings - EUV		243.8	2.4		<p>We have concluded that the assumptions of cost per square metre and yield rate are neutral.</p>

Key accounting estimates overview (cont.)

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
	Cautious Neutral Optimistic			Needs improvement Neutral Best practice	
Investment Property		108.1	(6.8)		We have assessed the underlying assumptions of expected rental value and yield rates as neutral.
Valuation Of LGPS Liabilities		(1,452)	(208)		No issues identified from our testing, the assumptions used by the actuaries were within KPMG reasonable range.
Valuation of LGPS Assets including effect of asset ceiling		1,798	49		No issues identified from our testing, the assumptions used by the actuaries were within KPMG reasonable range. We deemed that the disclosures on the asset ceiling approach should be enhanced by explaining the methodology and rationale applied, addressing surplus approach considerations, and ensuring compliance with relevant standards. See page 35 for further details of this corrected misstatement.

Key:  Current year

Other matters

Narrative report

As Audit Committee members you confirm that you consider that the Narrative Report, including the Annual Governance Statement, and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

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

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

Whole of Government Accounts

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

We are yet to receive instructions from NAO regarding WGA.

Independence and Objectivity

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

Audit Fees

Our scale fee for the 2024/25 audit, as set by PSAA is £532,530 plus VAT (£499,339 in 2023/24)

We are also the auditor for Haringey Pension Fund. While our fees are reported separately for that engagement, for 2024/25 this is £87,612.

See page 30 for details and status of fee variations.

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

01

Value for money

Value for Money

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

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

Commentary on arrangements

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

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

As noted on the right, we have identified 6 risks of a significant weakness in the Council's arrangements to secure value for money. Within our Auditor's Annual Report, we have set out our response to those risks.

Within our Auditor's Annual Report, we have set out recommendations in response to those significant risks.

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	2 significant risks identified	2 significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	4 significant risks identified	3 significant weaknesses identified

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

Performance improvement observations

As part of our work we have identified 2 Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses – see page 25. We have subsequently followed up on the Performance Improvement Observations made in the prior year, see page 26.

Value for Money: Performance improvement observations

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

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	<p>Lack Of Clarity In Assessing Budget vs Actual Performance In Finance Updates</p> <p>We have noted from our review of the quarterly finance updates to Cabinet during 24/25 that there is consistent revision of the initial budget and savings targets agreed by the Full Council in March 2024. This reduces transparency and the ability of members to assess in year performance vs initially agreed budgets.</p> <p>We recommend that reporting is enhanced so as to include the initial forecasted expenditure & savings, alongside any virements approved by committee.</p>	<p>This recommendation is accepted and for both revenue and capital monitoring reports, from Q3 of 2025/26 will include for both revenue and capital budgets, the original budget, any virements agreed each quarter and then the latest budget for which monitoring is against. As per reporting at the moment, the rationale for each virement made every quarter will be included in detail of the appendix of each quarterly report.</p> <p>Chief Accountant – December 2025</p>
2	2	<p>Assessing The Potential Income From A Commercial Property Review</p> <p>Our risk assessment work over Commercial Property has identified that there is a significant amount of lost income through overdue rent reviews and properties which have leases holding over. The Council has not yet been able to quantify this lost income to effectively assess the cost/benefit of performing the Property Review.</p> <p>We recommend that work is done to understand the additional income that could be achieved through this review, such that resource can then be appropriately allocated.</p>	<p>This recommendation is accepted. Over the last 12 months, good progress has been made in collecting data on the Council's commercial property portfolio, including on leases and the rent roll. Work is underway to work through the portfolio to carry out overdue rent and lease reviews and to date an additional £500,000 has been identified from the reviews to date. However, there remains a large backlog and this will remain a priority until complete. Additional time limited capacity is being considered to expedite these reviews because it is recognised that there are missed income opportunities which are even more crucial given the Council's financial position. Work is also underway to consider a digital solution for the maintenance of commercial property data and the management of the portfolio since much of these records are held and managed manually at this stage.</p> <p>Chief Accountant – April 2026</p>

Value for Money: Performance improvement observations

Below we have set out our findings from following up performance improvement observations raised in prior periods:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2026
1	3	<p>Policy Updates</p> <p>It is important to keep governance policies regularly updated to adapt to changing regulatory & 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"> •Anti fraud policy (2022) •Code Of Governance (2019) (Since updated in May 2024) <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>	<p>The Council's Anti Fraud and Corruption Strategy was reviewed and refreshed and presented to the Audit Committee for endorsement at its meeting in October 2024 .</p> <p>The Council's Local Code of Corporate Governance has also been reviewed and updated and was approved by the Full Council in July 2024.</p> <p>The Council's has been refreshing its entire Business Continuity Plans and will complete this activity in this financial year.</p> <p>As such we are satisfied that this recommendation has been implemented.</p>
2	2	<p>Risk Register Discussion</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>	<p>The Audit Committee continues to receive regular updates on the Council's Corporate risks and the Committee Clerk seeks to capture the discussions as fully as possible. The Council continues to publish the meeting in its entirety for transparency.</p> <p>We have reviewed minutes & videos of subsequent meetings and are satisfied with the Council's record keeping in relation to these minutes.</p> <p>As such we are satisfied that this recommendation has been implemented.</p>

Value for Money: Performance improvement observations









#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of January 2026
3	2	Agency Staff Usage <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 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>	<p>The Council, through concerted management action, has substantially reduced the use of agency workers from c.£45m spend per annum to c.£28m spend per annum at current run rates. The permanent staff establishment has seen a commensurate increase.</p> <p>As such we are satisfied that this recommendation has been implemented.</p>
4	3	Time To Hire Metrics <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>	<p>The Council has taken the deliberate decision to slow recruitment in order to achieve financial savings.</p> <p>This therefore indicates that the Council is actively increasing time to hire in some case as a means to protect budgets, which then reflects improved monitoring of such statistics.</p> <p>As such we are satisfied that this recommendation has been implemented.</p>
5	2	Equal Value Risk <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>	<p>A risk over equal value claims has been assessed and captured for regular review.</p> <p>As such we are satisfied that this recommendation has been implemented.</p>










Appendix

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Required communications

Type	Response
Our draft management representation letter	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.
Adjusted audit differences	 There were 2 adjusted audit differences with a deficit impact of £28.8m. See page 34.
Unadjusted audit differences	 There are no unadjusted audit differences.
Related parties	 We have identified a control deficiency linked to Related Parties, as set out on Page 36.
Other matters warranting attention by the Audit Committee	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	 We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	 We are aware of a historical fraud linked to Housing; however, we have reviewed the work undertaken by management and are satisfied that the accounts do not contain a material risk of misstatement due to fraud. There was no new actual or suspected fraud involving group or component management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	 We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	 As discussed on Page 6, we encountered various difficulties linked to the availability and quality of audit evidence.
Modifications to auditor's report	 Our audit opinion will be disclaimed. Further details of this draft opinion will be provided in due course.
Disagreements with management or scope limitations	 The engagement team had no disagreements with management, and no scope limitations were imposed by management during the audit.
Other information	 No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	 No matters to report. The engagement team and others in the firm, as appropriate have complied with relevant ethical requirements regarding independence.
Accounting practices	 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 4-6, there are several areas over which we have not been able to complete our work.
Significant matters discussed or subject to correspondence with management	 There were no significant matters arising from this audit.
Certify the audit as complete	<p>We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.</p>  The following work is outstanding to allow us to certify the audit: Prior year certificate; Whole of Government Accounts; and confirmation from the National Audit Office that all assurances required for their opinion on Whole of Government Accounts have been received
Provide a statement to the NAO on your consolidation schedule	 As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack. We are yet to receive instructions from NAO regarding WGA.

Fees

Audit fee

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

Entity	2024/25 (£)	2023/24 (£'000)
Scale fee as set by PSAA	532,530	499,329
Refund For Work Not Completed	-	(49,933)
Standard Fee Variations*	81,647	99,936
Disclaimed Opinion Fee Variation	5,081	5,800
TOTAL	619,258	555,132

*The standard fee variations are made up of the following variations for 2023/24:

- ISA315r - £17,364
- VFM significant risk work - £31,734
- Financial Statements additional work – 50,838

For 2024/25 this is comprised of:

- ISA600r – £2,871
- Internal Expert work (Forensics) - £5,400
- VFM significant risk work – £47,146
- Financial Statements additional work – £26,230

We are also the auditor for Haringey Pension Fund. While our fees are reported separately for that engagement, for 2024/25 this is £87,612.

We are in the process of agreeing fee variations with PSAA and will report the final outcome of these at a later date.

Billing arrangements

Fees have been billed in accordance with the milestone completion phasing that has been communicated 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 2025 £000	Value of Services Committed but not yet delivered £000
1	Housing Benefit Grant Certification	Self Review	<ul style="list-style-type: none"> The engagement contract makes clear that we will not perform any management functions. The work performed is not relied on within the audit file. The work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	£24,950	£2,350 per additional workbook, however it is unknown how many workbooks at this stage
2	Teachers Pensions Audit	Self Review	<ul style="list-style-type: none"> The engagement contract makes clear that we will not perform any management functions. The work performed is not relied on within the audit file. The work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	£7,000	N/A
3	Pooling Of Housing Capital Receipts	Self Review	<ul style="list-style-type: none"> The engagement contract makes clear that we will not perform any management functions. The work performed is not relied on within the audit file. The work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	£7,230	N/A

Confirmation of Independence (cont.)

Summary of fees

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

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.06 : 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2024/25
	£'000
Total audit fees	619.3
Other Assurance Services	39.2
Total Fees	571.7

We are also the auditor for Haringey Pension Fund. While our fees are reported separately for that engagement, for 2024/25 this is £87,612.

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



Audit misstatements

Given we are disclaiming our audit opinion as described on pages 4-6 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of corrected & uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. 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 £1,295K are shown below. We note that there are no unadjusted audit differences, and all of the below misstatements have been corrected:

Corrected audit misstatements (£'000s)				
No.	Detail	CIES Dr/(cr) £m	SOFP Dr/(cr) £m	Comments
1	Dr Loss In Fair Value Of Investment Property Cr Investment Property	5.9	- (5.9)	Due to a formula error in WHE's calculations, one Investment Property was incorrectly valued at £6.5m as opposed to £628k, giving rise to an impairment of £5.9m.
2	Cr Revaluation Reserve Dr Impairment Dr Gain On Disposal Of Assets Cr PPE Cost Dr PPE Accumulated Depreciation Cr Investment Property Dr Loss In Fair Value Of Investment Property	 17.4 1.5 4.0	 (3.3) (24.5) 8.9 (4.0)	The valuation of the Council's Property, Plant & Equipment (PPE) and Investment Property was completed in two tranches due to limitations on WHE's availability, as well as some incomplete information provided by the Council. As such this is a material adjustment to reflect the fully updated valuation across PPE and Investment Property.
Total		28.8	(28.8)	

Disclosure misstatements		
Disclosure		
1	Various Disclosures	We noted around 200 minor rounding and inconsistency errors as part of our casting procedures. Material errors have been updated within the final version of the accounts.

Audit misstatements (cont.)

Disclosure misstatements

No.	Disclosure	
2	MRP Disclosure	We noted that MRP has doubled from £15,531k in 2023/24 to £31,103k in 2024/25. Whilst not required by the CIPFA Code, it would aid a user's understanding of the accounts to include a disclosure in the Narrative Report or the financial statements which explains the change in MRP policy given the significant impact on the MRP charge. As such we did not believe that management had provided sufficient detail within the accounts to explain the change in policy, hence have requested that the note is updated. This has now been included within the final version of the accounts.
3	Financial Instruments	The first version of this disclosure lacked the lack of inclusion of short-term trade receivables held at amortised cost. This is nil for 24/25 but should be £115,841k, hence the disclosure is misstated. Additionally, the £3,408k of impairment losses on financial assets was incorrectly displayed as occurring on financial liabilities. This has now been corrected within the final version of the accounts.
4	CIES Recategorisation	The Single Entity CIES disclosed that "From 1st April 2024/25, the Revenues & Benefits Service moved from Culture, Strategy & Engagement to Environment & Residence Directorate". The resulting movements in Gross Expenditure and Gross Income are material, although the movement in Net Expenditure is not material, reflecting the nature of the funding for the Revenues and Benefits Service. However, the comparative numbers had not been restated. This has now been corrected within the final version of the accounts.
5	Leases – Right Of Use Assets	The disclosure note for ROU assets was presented net, when this exemption applies only to infrastructure assets. This disclosure therefore didn't comply with the CIPFA code or the Regulations. Additionally, the initial figures included in the disclosure were effectively a best guess at a point in time, due to resource constraints at the Council during the drafting of the accounts. As such the initial draft numbers were not correct. This has now been corrected within the final version of the accounts.
6	Pension Schemes	The disclosures in relation to pension schemes lacked a reconciliation of the asset ceiling calculations, as well as inclusion of an accounting policy in relation to the approach taken to the scheme surplus. Additionally, information relating to the ongoing Virgin Media Ltd vs NTL Trustees Limited legal case was not disclosed. These have now been corrected within the final version of the accounts.
7	Officers Remuneration & Termination Benefits	Due to a formula error, a 23/24 exit package value was incorrectly included in the total compensation for loss of office paid in 24/25. Additionally, we identified several banding errors within the officers' remuneration table. These have now been corrected within the final version of the accounts.
8	Related Parties	We noted minor disclosure errors in this note relating to the number of members and senior officers with personal interests in charitable organisations. This has now been corrected within the final version of the accounts.
9	Long Term Debtors	Unlike short term debtors - which is disclosed by Gross Debtor, Expected/Incurred Credit Loss, and Net Debtor - the Council has only disclosed the net debtor position for its long-term debtors. This omits a c£45m debt to Alexandra Palace and Park Charitable Trust (APPCT) that is fully provided for. As per 5.2.4.2 of the CIPFA Code 24/25, authorities shall disclose "an analysis of the assets that are individually determined to be impaired as at the reporting date". This has now been corrected within the final version of the accounts.
10	Short Term Creditors – Receipts In Advance	We have identified an issue with the recording of income during 24/25 that relates to 25/26, in that it is reversed out to the Deferred Income caption rather than Contract Liabilities. A narrative description has now been added to the note to clarify the change.

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

- | | | |
|--|--|---|
| <p>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.</p> | <p>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.</p> | <p>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.</p> |
|--|--|---|

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	<p>Related Parties Process</p> <p>We have noted from our walkthrough of the Related Parties process and through testing of the year end note in the financial statements that:</p> <ul style="list-style-type: none"> There is no Register of Interests (ROI) held to collate the Declarations of Interest (DOI) for senior officers. There are several instances in year where people have not completed and returned their DOIs during the 24/25 period, which increases the risk of an incomplete ROI and related party transactions being entered into unknowingly. There are several instances where the information in the DOIs does not match correctly with the information in the ROI. Any potential error in the transfer of information from the DOIs to the ROI increases the risk of related party transactions being entered into unknowingly. There are instances of non-disclosure or incorrect disclosure that we have identified via a check against Companies House for each person who has completed a DOI. <p>We recommend that management improves the governance around the related parties process to ensure that the above issues are remedied, including creating a ROI for senior officers as well as performing a Companies House check for completeness.</p>	<p>Recommendation accepted. We will be implementing these as part of our 2025/26 closing process. A register of interest will be held for both members and senior officers to collate all the DOI we receive. This will be regularly reviewed, updated and monitoring going forward.</p> <p>Chief Accountant – June 2026</p>

Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	2	<p>Debtors Gross Balances Write Off</p> <p>Through our work over Debtors and the associated Expected Credit Loss (ECL), we are aware that the Council holds high levels of gross historical ECL and gross debtor on the balance sheet, which inflates the gross position of both balances.</p> <p>Whilst this does not impact the overall net position of the debtors, we recommend that this should be cleared down where the debt is of such an age that it is not realistically recoverable.</p> <p>Currently the Council has £337m of gross debtors and £173m of gross ECL, however a high proportion of this £173m is significantly aged and 100% provided for.</p>	<p>The recommendation is accepted. We will be reviewing all debt as part of the on-going debt review and action write off debts deemed irrecoverable.</p> <p>Chief Accountant – June 2026</p>
3	2	<p>Beacon Valuation Indexation</p> <p>As part of the valuation of the Beacons used in the valuation of Council Dwellings, the valuer (Wilks Head & Eve) indexed the 23/24 valuations using UK wide data obtained from the House Price Index.</p> <p>However, when using Haringey specific data from the house price index, this changes the valuation of flats & houses by amounts over our performance materiality, however these ultimately net off such that our assessment of the overall valuation is neutral as per our commentary on page 20.</p> <p>We recommend that in future the data specific to Haringey is utilised to ensure that the valuation produced is more accurate.</p>	<p>There are different applicable models which might contribute to differences between the indices. As stated by external auditors, the values for the model used ultimately net off.</p> <p>We will speak to WHE about using Haringey specific model instead of London region. This will involve valuation timing taking into consideration the publication of Haringey specific data – which takes longer.</p> <p>Chief Accountant – June 2026</p>
4	2	<p>Quality Of Transaction Listings</p> <p>We note from our work over various areas of the accounts - particularly income & expenditure and debtors & creditors - that there are a very high number of transactions that comprise each balance, with the result being a significant netting off of high gross balances of debits and credits with any given account caption. As such, this makes identifying reversing entries challenging and has resulted in additional testing and resource being allocated to thoroughly risk assess and understand these populations.</p> <p>We recommend that management ensure staff have sufficient training to efficiently process transactions & reversals in the ledger, as well as potentially alter their accounting process to improve the audit trail of transactions.</p>	<p>The recommendation is noted. We will review these transactions as part of our closure process review and identify the volume and drivers. Measures will be put in place to improve the process, including eliminating contras before sending the transactions listing to review.</p> <p>Chief Accountant – June 2026</p>

Control Deficiencies (cont.)

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

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
10	2	8

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (January 2026)
1	1	<p>Journals Review Control</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"> • documentation requirements for the objective being tested • consideration of the data and its reliability • the expected precision and allowable deviations present in the control • the consistency of application • the predictability of inputs, the criteria for investigation / follow up and the outcome of such follow ups. <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>	<p>We found the design and implementation of management review controls in relation to journal entries and post-closing adjustments to continue to be ineffective, in line with the control deficiency raised in the prior year.</p> <p>We note that this is a common finding in the public sector and is not unique to Haringey, given the large extra resource it would need to implement a control to the level that would meet the high requirements of the auditing standards.</p> <p>Management have confirmed they are satisfied that the residual risk is low as a result of the process that they already have in place for the review of journals.</p> <p>As such we are not satisfied that this recommendation has been implemented.</p>

Control Deficiencies (cont.)

#	Risk	Management Response/Officer/Due Date	Current Status (January 2026)
2	<p>1 Timeliness & Accuracy Of The Valuation Process</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.</p> <p>The council's calculation using the value of these rental increases from 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>	<p>We note that the Council's Land & Buildings were valued in two tranches by WHE due to their availability, which led to delays in tying through the valuation & there were material adjustments to the draft financial statements to reflect the full 24/25 valuation.</p> <p>Additionally, several assets were valued by WHE that the Council no longer owns, causing inefficiencies in the process for the Council to manually remove these.</p> <p>As such we are not satisfied that this recommendation has been implemented.</p>
3	<p>2 Management Review Of Actuarial Assumptions</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> <p>Chief Accountant – October 2025</p>	<p>We found the design and implementation of management review controls in relation to the review of the assumptions that underpin the actuarial valuation to continue to be ineffective, in line with the control deficiency raised in the prior year.</p> <p>We note that this is a common finding in the public sector and is not unique to Haringey, given the extra cost needed to engage a second actuary.</p> <p>Management have confirmed they are satisfied that the residual risk is low.</p> <p>As such we are not satisfied that this recommendation has been implemented.</p>

Control Deficiencies (cont.)

#	Risk	Management Response/Officer/Due Date	Current Status (January 2026)
4	<p>2 Management Review Of Valuation Assumptions</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 valuer's assumptions and approach.</p> <p>Chief Accountant – April 2025</p>	<p>We found the design and implementation of management review controls in relation to the review of the assumptions that underpin the property valuation to continue to be ineffective, in line with the control deficiency raised in the prior year.</p> <p>We note that this is a common finding in the public sector and is not unique to Haringey, given the extra cost needed to engage a second valuer.</p> <p>Management have confirmed they are satisfied that the residual risk is low.</p> <p>As such we are not satisfied that this recommendation has been implemented.</p>
5	<p>2 Finance Oversight Of Capital Additions</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 be overseen by the Strategic Capital Board.</p> <p>Chief Accountant – April 2025</p>	<p>Through our testing in 2024/25 we have completed our work over capital additions and identified no errors.</p> <p>As such we are satisfied that this recommendation has been implemented.</p>

Control Deficiencies (cont.)

#	Risk	Management Response/Officer/Due Date	Current Status (January 2026)
6	<p>2 Completion & Timeliness Of Bank Reconciliations</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 & Banking Team - April 2025</p>	<p>We have inspected the March 2025 Bank Reconciliations performed for all 8 of the Council's bank accounts and identified considerable gaps between month-end and when the bank reconciliations were prepared and reviewed. All reconciliations were prepared on 29/04/2025 - which is almost a month later – and they were all reviewed either on or after 20/05/2025 (the latest being 11/06/2025).</p> <p>As such we are not satisfied that this recommendation has been implemented.</p>
7	<p>2 De Minimis Accruals Threshold</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> <p>Chief Accountant – April 2025</p>	<p>The Council continue to inconsistently accrue for transactions when the value is below £20k, which we identified within our expenditure testing.</p> <p>As such we are not satisfied that this recommendation has been implemented.</p>

Control Deficiencies (cont.)

#	Risk	Management Response/Officer/Due Date	Current Status (January 2026)
8	<p>2 Approval Of Significant Related Party Transactions</p> <p>Auditing standards require us to obtain an understanding of related party processes and controls that:</p> <ul style="list-style-type: none"> • identify all related parties, relationships and transactions • authorise and approve significant related party transactions and arrangements; and • account for and disclose all related party relationships and transactions in the financial statements. <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 e.g. 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> <p>Chief Accountant – April 2025</p>	<p>Due to limitations within the procurement & ledger systems, it is still not possible to ensure that significant related party transactions are approved before they are entered into without a large-scale manual process – which has not been implemented.</p> <p>As such we are not satisfied that this recommendation has been implemented.</p>
9	<p>2 IFRS16 Impact Not Calculated</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>	<p>KPMG were not provided with the IFRS16 workings until November 2025, 5 months after the publication of the draft accounts.</p> <p>Our recommendation was linked to the timely compilation of this disclosure and the associated workings to reduce the risk of errors.</p> <p>However, since this has now been provided, we do not have any further recommendation to make and no further action due, hence we are satisfied that this recommendation has been implemented.</p>

Control Deficiencies (cont.)

#	Risk	Management Response/Officer/Due Date	Current Status (January 2026)
10	<p>2 Northgate Data Inconsistencies</p> <p>As part of our work over HRA & 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 (e.g. 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>	<p>We have continued to encounter difficulties with agreeing the Beacons used for Council Dwellings to the underlying information held by the Council.</p> <p>However, we have not identified the same issues with reconciling HRA transaction listings as in the prior year.</p> <p>As such this recommendation is partially implemented but remains outstanding.</p>

FRC's areas of focus

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

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



Key expectations for 2024/25 annual reports

Overview

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

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

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

Pre-issuance checks and restatements

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

Risks and uncertainties

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

Financial reporting framework

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

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

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

FRC's areas of focus (cont.)

Impairment of assets

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

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

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

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

Cash flow statements

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

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

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

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

Climate

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

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

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

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

Financial instruments

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

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

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

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

Judgements and estimates

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

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

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

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

FRC's areas of focus (cont.)

Revenue

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

Presentation

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

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

Income taxes

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

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

Strategic report

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

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

Fair value measurement

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

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

Thematic reviews

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

UK's largest private companies

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

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

Retail sector focus

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

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

2024/25 review priorities

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



Industrial metals and mining



Construction and materials



Food producers



Retail



Gas, water and multi-utilities



Financial Services

KPMG's Audit quality framework

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

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

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

■ Commitment to continuous improvement

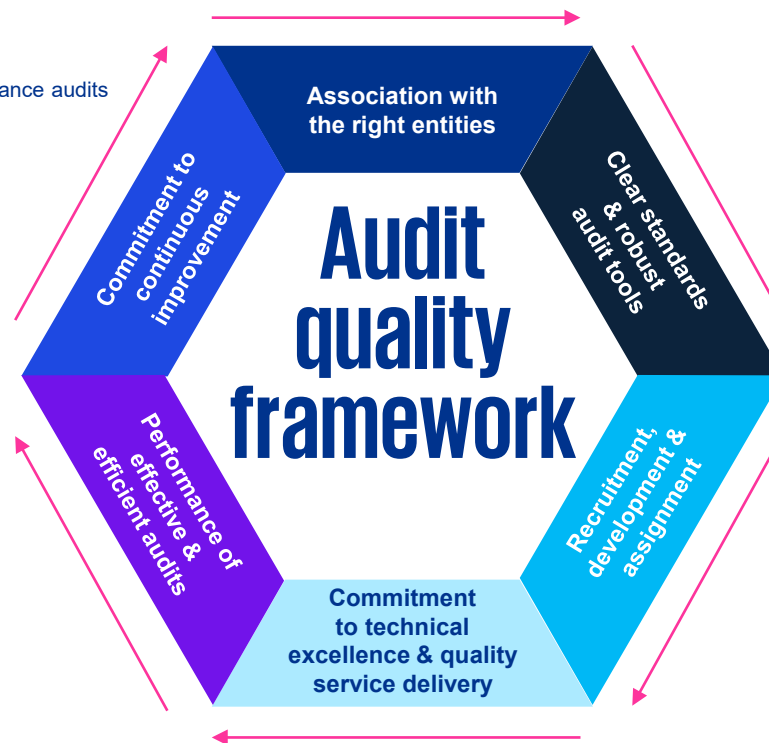
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

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

■ Commitment to technical excellence & quality service delivery

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



■ Association with the right entities

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

■ Clear standards & robust audit tools

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

■ Recruitment, development & assignment of appropriately qualified personnel

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



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