



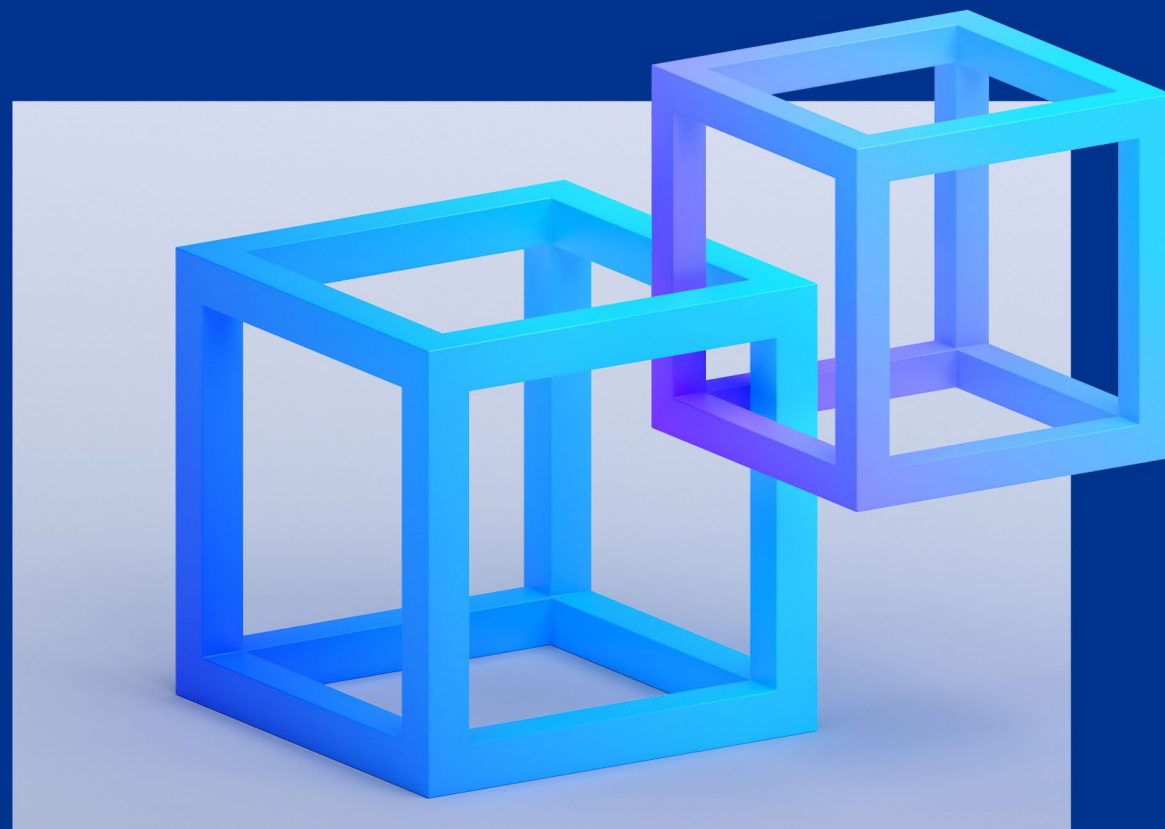
West Lindsey District Council

Year End Report to the Governance & Audit
Committee

Year end report for the year ended 31 March 2025

—

17 November 2025



Introduction

To the Governance and Audit Committee of West Lindsey District Council

We are pleased to have the opportunity to meet with you on the 25th November 2025 to discuss the results of our audit of the financial statements of West Lindsey District Council (the 'Council/Authority'), 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 the 10th June 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 Debra Chamberlain (Debra.Chamberlain@KPMG.co.uk), the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler. (tim.cutler@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: [Complaints](#).

The engagement team

Subject to the approval of the statement of accounts, we expect to be in a position to sign our audit opinion on the approval of those statement of accounts and auditor's representation letter, provided that the outstanding matters noted on page 4 of this report are satisfactorily resolved.

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

We expect to issue an unmodified Auditor's Report.

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

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

Yours sincerely,



Debra Chamberlain

17 November 2025

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



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

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

Purpose of this report

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

This Report has been prepared for the Council/Authority's Governance and 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 Council/Authority's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

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

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

Status of our audit

Our audit is 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 4 '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.

Restrictions on distribution

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

Our audit findings

Significant audit risks		Page 5 –15
Significant audit risks	Our findings	
Valuation of land and buildings	We have identified one uncorrected audit misstatement in relation to this significant risk. We have also identified one control recommendation. See page 7 for further details.	
Valuation of investment property	We have not identified any material misstatements in relation to this significant risk. We have identified one control recommendation. See page 10 for further details.	
Valuation of post retirement benefit obligations	We have not identified any material misstatements in relation to this significant risk.	
Management override of controls	The results of our testing were found to be satisfactory and we have not identified any instances of management override of control.	

Key accounting estimates		Page 17
Key accounting estimates	Our findings	
Valuation of land and buildings	We have concluded that the assumptions used in the valuation of land and buildings are overall balanced.	
Valuation of investment property	We have concluded that the assumptions used in the valuation of investment properties are overall balanced.	
Valuation of post retirement benefit obligations	Following our actuaries' review, we consider the overall assumptions adopted by the Council to be balanced and within an acceptable range of reasonableness.	

Uncorrected Audit Misstatements		Page 30
Understatement/ (overstatement)	£m	%
Revenues	Nil	Nil
Deficit for the year	0.3	3.8
Total assets	0.3	0.3
Total taxpayers' equity	0.3	0.6

Disclosures: Disclosure of assets reclassified from PPE to investment properties.

Misstatements in respect of Disclosures	Page 31 Our findings
Leases / PPE	Aligning leases and PPE disclosures with the requirements of IFRS-16.
Related Parties	Disclosure of additional related party transactions / presentational changes
Pensions	Presentational changes
Exit packages	Corrections to the amount of packages, number of packages and cost band
Annual Report / AGS/ FS Notes	Presentational changes

Number of Control deficiencies	Page 32 - 37
Significant control deficiencies	0
Other control deficiencies	4
Prior year control deficiencies remediated	3

Outstanding matters

Our audit is substantially complete except for the following outstanding matters:

- Final review of annual report
- Management representation letter
- Finalise audit report and sign



Significant risks and Other audit risks

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

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

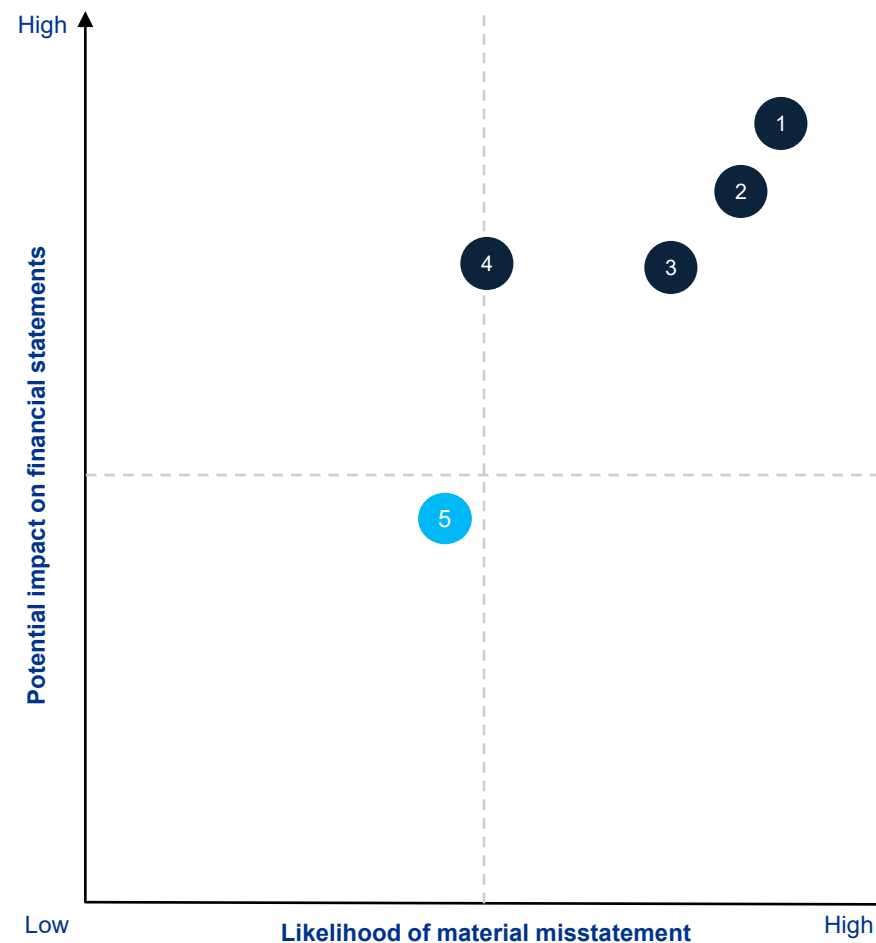
Significant risks

1. Valuation of land and buildings
2. Valuation of investment property
3. Valuation of post retirement benefit obligations
4. Management override of controls ^a

Other audit risks

5. Adoption of IFRS 16

Key: # Significant financial statement audit risks # Other audit risk



^a A significant risk that auditing standards require us to assess on all audit engagements.

Audit risks and our audit approach



1

Valuation of land and buildings

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



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a full revaluation model which sees all land and buildings revalued as at 31st March each financial year.

Valuations are inherently judgemental and there is a risk of error that the assumptions are not appropriate or correctly applied.

As per the 2024/25 financial statements, the value of the Council's land and buildings as at 31 March 2025 was £35m, all subject to valuation.



Our response

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

- We critically assessed the independence, objectivity and expertise of Wilks, Head & Eve LLP (WHE), 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 evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;
- We 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; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Key:

 Prior year  Current year

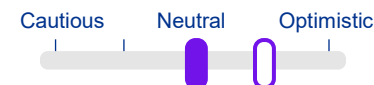


Audit risks and our audit approach (cont.)



1 Valuation of land and buildings (cont.)

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



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a full revaluation model which sees all land and buildings revalued as at 31st March each financial year.

Valuations are inherently judgemental and there is a risk of error that the assumptions are not appropriate or correctly applied.

As per the 2024/25 financial statements, the value of the Council's land and buildings as at 31 March 2025 was £35m, all subject to valuation.



Our findings

- We have challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We have challenged key assumptions within the valuation of Other Land and Buildings under the Depreciated Replacement Cost (DRC) and Existing Use Value (EUV) methods as part of our judgement including obsolescence factor and market yields. Based on work performed, we consider the estimates in relation to the valuation of Other Land and Buildings to be neutral.
- Based on our work on Other Land and Buildings, we have identified one misstatement concerning the classification of three sites/properties having total value of c.£0.8m. These assets were recorded as non-specialised land and buildings and valued at year-end using the Existing Use Value (EUV) methodology. In fact, they should have been classified as investment properties and valued on a Fair Value (FV) basis as at the year-end. However, we do not anticipate a material difference in the year-end valuation arising from this reclassification, given the similarity of assumptions (rental value and market yield) applied under both approaches. Please see Appendix on page 30 for further details.
- We have agreed the calculations performed in relation to 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.
- We did not identify any issues in relation to the related disclosures.
- We have identified a recommendation concerning the process of maintaining floor area plans, detailed in the Appendix on page 34. However, this issue has not been assessed as material, as we obtained sufficient assurance over the completeness and accuracy of floor area information through our substantive audit procedures.

Key:

Prior year Current year

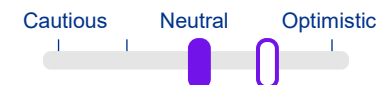


Audit risks and our audit approach (cont.)



1 Valuation of land and buildings (cont.)

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



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a full revaluation model which sees all land and buildings revalued as at 31st March each financial year.

Valuations are inherently judgemental and there is a risk of error that the assumptions are not appropriate or correctly applied.

As per the 2024/25 financial statements, the value of the Council's land and buildings as at 31 March 2025 was £35m, all subject to valuation.



Our findings

- Auditing Standards requires auditors to identify a management review control (MRC) where there is a significant audit risk. There is a significant threshold that needs to be met in order to have a satisfactory MRC in place – particularly around the precision of the control. We note that although the Council has processes in place to help ensure that the valuation of land and buildings is based on best estimate, supported by reasonable assumptions, these processes do not meet the required threshold of an MRC. Management have confirmed that they are comfortable with the current arrangements of employing an external expert to provide their valuations, and rely on their professionalism and skills to provide an accurate valuation.

Key:

Prior year Current year



Audit risks and our audit approach (cont.)



2

Valuation of investment property

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



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

The Council's property portfolio includes 9 commercial and industrial units, fair valued at £22.9m as at 31 March 2025.

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



Our response

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

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

Key:

Prior year Current year

Audit risks and our audit approach (cont.)



2

Valuation of investment property (cont.)

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



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

The Council's property portfolio includes 9 commercial and industrial units, fair valued at £22.9m as at 31 March 2025.

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



Our findings

- In accordance with the requirements of the CIPFA Code, all of the Council's investment properties were measured at fair value as at the year-end.
- We have challenged the appropriateness of the valuation of investment properties; including any material movements from the previous revaluations. We have challenged key assumptions within the valuation of investment properties under the Fair Value method as part of our judgement including market yields. Based on work performed, we consider the estimates in relation to the valuation of investment properties to be neutral.
- We have agreed the calculations performed in relation to the movements in value of investment properties and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code.
- We did not identify any issues in relation to the related disclosures.
- We have identified a recommendation concerning the process of maintaining floor area plans, detailed in the Appendix on page 34. However, this issue has not been assessed as material, as we obtained sufficient assurance over the completeness and accuracy of floor area information through our substantive audit procedures.
- Auditing Standards requires auditors to identify a management review control (MRC) where there is a significant audit risk. There is a significant threshold that needs to be met in order to have a satisfactory MRC in place – particularly around the precision of the control. We note that although the Council has processes in place to help ensure that the valuation of investment properties is based on best estimate, supported by reasonable assumptions, these processes do not meet the required threshold of an MRC. Management have confirmed that they are comfortable with the current arrangements of employing an external expert to provide their valuations, and rely on their professionalism and skills to provide an accurate valuation.

Key:

Prior year Current year

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.

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 has in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the scheme 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;
- 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 association are in line with IAS19;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the assumptions;
- Assessed the level of surplus that should be recognised by the entity; and
- Assessed the impact of any special events, where applicable

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.

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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

Management Specialist Competence and Capability

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

Key Assumptions Assessment

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

Input Data assessment

- 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.

Surplus assessment

- We have reviewed the appropriateness of the accounting treatment of the surplus under IFRIC 14. Under this guidance, the future reductions in contributions are determined as the estimated future service cost for each period, less the minimum funding contributions for future service in those periods, plus any minimum funding liability arising from positive secondary contributions. Our review included an assessment of management's rationale and the supporting analysis provided by KPMG actuaries. We concur with the conclusion reached, which is consistent with the treatment applied in the prior year.

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

Cautious Neutral Optimistic



**Significant
audit risk**

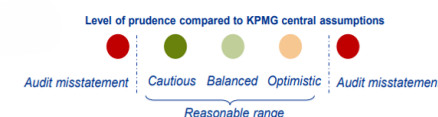
The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in 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.

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**



Overall assessment of assumptions for audit consideration						Balanced	
Underlying assessment of individual assumptions	Methodology	Consistent methodology to prior year?	Compliant methodology with accounting standard?	Employer	KPMG	Assessment	Key assumptions
Discount rate	AA yield curve	✓	✓	5.80%	5.74%	●	✓
CPI inflation	Deduction to inflation curve	✓	✓	2.90%	2.74%	●	✓
Pension Increases	In line with CPI	✓	✓	2.90%	2.96%	●	
Salary increases	Employer best estimate	✓	✓	CPI plus 1%	In line with long-term remuneration policy	●	
Mortality	Base tables	In line with most recent Fund valuation See next page	✓	130%/120% of SAPS S3 tables for Males/Females	In line with Scheme best-estimate	●	✓
	Future improvements	In line with most recent Fund valuation, updated to use latest CMI model See next page	✓	CMI 2023 projections model, 1.25% long-term trend rate, default smoothing factor and initial addition parameter, and 15% weighting of 2022 and 2023 data	CMI 2023, 1.25% long-term trend rate and default other parameters	●	✓
Other demographics	In line with most recent Fund valuation	✓	✓	Cash commutation	In line with Scheme experience	●	

Key:

0 Prior year 1 Current year



Audit risks and our audit approach (cont.)



4 Management override of controls^(a)

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



Significant audit risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

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



Our response

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

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluated the selection and application of accounting policies;
- In line with our methodology, 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 component's normal course of business, or are otherwise unusual; and
- Analysed all journals through the year and focussed our testing on those with a higher risk, as defined by our high-risk criteria.

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

Audit risks and our audit approach (cont.)



4 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.



Our findings

- We have not identified any issues in relation to the quality of the Council's accounting practices including accounting policies and financial statement disclosures.
- We identified 2 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.
- We have evaluated key accounting estimates and have not identified any indicators of management bias. See page 17 for further discussion.
- Our procedures did not identify any significant unusual transactions.
- We have reviewed the Council's system control relating to the journals. Our assessment concluded that the control is appropriately designed and operating effectively to address the prior year's control deficiency related to the segregation of duties. However, KPMG's firmwide interpretation of auditing standards requires stringent criteria for each journal to be considered fully effective. This includes evidence of review, assessment of supporting documentation, accuracy of calculations, and follow-up on any identified outliers. While we acknowledge the improvements made since our previous year's control recommendation, we must bring this to your attention as the control relates to a significant risk.
- We have also raised control observations in relation to related party process - see page 32 - 33 for further details.

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

Audit risks and our audit approach



5

Adoption of IFRS 16

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



Other audit risk

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

We anticipate the following issues that could impact in the first year of implementation:

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



Our response



Our findings

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

- Obtained schedule of all contracts that include lease components, accompanied by management's evaluation of these agreements, to obtain assurance regarding the completeness of lease listing used in transition computations.
- Obtained the full listings of leases and reconciled to the general ledger;
- Reviewed a sample of the lease agreements to determine the terms of the leases and confirmed correct classification;
- Reviewed the transition adjustments passed by the Council; and
- Reviewed the disclosures made on the financial statements against requirements of IFRS16.
- No audit misstatements were identified with respect to the completeness or recognition of Right of Use Assets.
- All lease agreements reviewed were correctly classified, and transition adjustments have been confirmed as appropriate.
- We have identified disclosure misstatements relating to the Leases note and other related disclosures to align the financial statements with the requirements of the Code for IFRS 16 implementation. Please refer to page 31 for further details.

Key:

0 Prior year 1 Current year



Key accounting estimates and management judgements– Overview

Our view of management judgement

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

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
	Cautious Neutral Optimistic			Needs improvement Neutral Best practice	
Land and buildings		35.3	4.8		The year-on-year (YoY) change in the valuation of land and buildings is primarily attributable to revaluation activity, which has resulted in an increase in asset values. We considered the estimate to be overall balanced based on the procedures performed due to the neutral assumptions used in the valuation of land and buildings.
Investment properties		22.9	0.03		The YoY change in the value of the investment properties is assessed as not material. We considered the estimate to be overall balanced based on the procedures performed due to the neutral assumptions used in the valuation of investment properties.
LGPS gross DBO Gross defined obligation		64.3	(7.9)		The YoY change in the value of gross pension liabilities is primarily driven by actuarial gains arising from changes in financial assumptions. Our actuarial specialists have assessed the overall and individual assumptions used by management in valuing the pension liabilities as balanced and within our reasonable range. No issues were noted in the judgements made in the valuation of pension liabilities.

Key:
 Prior year Current year



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Other matters

Narrative report

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

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

Annual Governance Statement

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

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

Whole of Government Accounts

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

We are yet to receive instructions from NAO regarding WGA.

Independence and Objectivity

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

Audit Fees

Our scale fee for the 2024/25 audit, as set by PSAA is **£146.6k** plus VAT (£141.5k in 2023/24).

See page 26 for details and status of fee variations.

We have also completed non audit work at the Council during the year on Housing Benefits grant certification and have included in appendix on page 28 confirmation of safeguards that have been put in place to preserve our independence.

Value for money

Value for Money

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

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 not identified any risks of a significant weakness in the Council's arrangements to secure value for money.

We have no recommendations to report.

Summary of findings

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

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

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

Performance improvement observations

As part of our work we have identified one Performance Improvement Observation (PIO), which are suggestions for improvement but not responses to identified significant weaknesses. We have also followed-up on three PIOs raised in the prior year. Please see details on next page.



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	3	Outdated code of conduct and related policies During our review, we have noted that the Code of Conduct and other related policies are outdated and have not been subject to recent review. Specifically, the Code of Conduct was last reviewed in 2020, the Disciplinary Rules Guidance in 2017, the Disciplinary Procedure in 2019, and the 'Prevention of Financial Crime Policy, Anti-Fraud and Corruption Policy, and an Anti-Bribery Policy' in 2019, despite these policies being scheduled for review every two years. Impact Outdated policies may lead to non-compliance with current standards, increased risk of unethical behaviour, and potential legal and reputational consequences. Recommendation Conduct a comprehensive review and update of the Code of Conduct and related policies on timely basis, to ensure they remain current and aligned with best practices and legal requirements.	The Council is due to review and update the Code of Conduct and related policies which will be approved by the end of the financial year. The Council has recently updated its Counter Fraud, Corruption and Bribery Policy which was approved by Corporate Policy and Resources Committee on 24th July 2025. An Anti-Money Laundering and Financial Crime Policy is currently being drafted which it is hoped will be approved later this year. Responsible Officer: Lisa Langdon, Asst. Director People & Democratic Services Due date: 31 March 2026

Value for Money: Performance improvement observations – follow up from prior year



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 November 2025
1	2	Saving plans The Council should consider the appropriateness of its arrangements regarding the identification and development of savings plans and monitoring of progress on savings initiatives in the context of the level of future savings. Impact The absence of structured savings plans poses a significant challenge for the future. This concern becomes more pronounced from the fiscal year 2026/27 onwards, as the General Fund reserve will be insufficient to bridge funding gaps. Recommendation We recommend that the Council establish a formal process for identifying and developing savings plans, monitoring their progress, and taking corrective actions as needed. This will ensure financial stability and preparedness for future fiscal challenges.	The Council does not currently have a savings programme. Whilst the Council's medium term financial plan, which was approved in March 2025, does have funding gaps for 2026/27 onwards, it is not clear at this point whether these will be realised. This is due to major upcoming changes in government funding and business rates income. The government is currently consulting on a change to Council funding methodology and anticipating implementing a business rates reset, both of which will affect funding levels for 2026/27 onwards. When the funding that the Council will receive is known, which it is hoped will be in November/December, then the scale of any funding shortfalls will be known. Linked to this is the announcement by government of local government re-organisation in two-tier areas which includes Lincolnshire. This will potentially mean West Lindsey District Council in its current form will not exist after 1st April 2028 as it will be within a newly created authority. Whilst this is still at an early stage this will have a large number of impacts on the Council's operating model, not least whether or not funds will be needed to implement the new authority. With these high-level uncertainties, the Council would not be looking to implement a savings programme until more is known. Service managers do routinely review their service areas and are always looking at how they might operate their service more efficiently and effectively through a process of self-review. The Council has formally agreed to setup a savings board and this will come into operation if and when it is identified that savings are required to balance the medium-term financial plan. Responsible Officer: Peter Davy, Director of Finance and Assets Due date: 31 March 2026	We have observed that the Council does not have a formalised process for identifying and developing savings plans, monitoring the progress of savings initiatives, and taking corrective actions when necessary. Consequently, this recommendation has not been implemented. Status: Not implemented

Value for Money: Performance improvement observations – follow up from prior year (Cont.)



#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of November 2025
2	3	Risk management strategy During our review, we have noticed that the Council's Risk Management Strategy has not been updated for latest period. The Council's previous strategy was for the period 2019-23 and it has not been revised since the end of the period. Impact The outdated Risk Management Strategy may lead to inadequate risk identification and mitigation, potentially exposing the Council to unforeseen risks and challenges. Recommendation We recommend that the Council promptly update its Risk Management Strategy to ensure it reflects current best practices and addresses emerging risks effectively.	The latest Risk Management Strategy was approved by Governance and Audit Committee on 22nd April 2025.	We have reviewed the recent Risk Management Strategy, which was approved subsequent to the year-end. Consequently, we have determined that this observation has been implemented. Status: Implemented
3	3	Contract exceptions During our review, we have noticed that the Council's record of contract exceptions is not a robust document which records the value of the contract, reason for exception and the approval process followed. Impact The lack of comprehensive documentation for contract exceptions may lead to reduced transparency and potential non-compliance with procurement rules. Recommendation We recommend that the Council formalise the documentation of contract exceptions to ensure greater transparency and adherence to procurement regulations.	Procurement Exemptions are signed off by the S151 officer up to a value of £75,000 over this value and under £214,000 they go to Management Team for approval and above £214,000 they go to committee for approval. Exemptions are then collated in a spreadsheet and loaded onto the Pro Contract software with a copy of the final contract once signed. All exemptions are reported to Governance and Audit committee on a periodic basis, the last report was for exemptions from 1st April to 30th September which went to Governance and Audit Committee on 21st January 2025. Management accept the observation and will work on updating the format of the contract exceptions register. Responsible Officer: Anna Grieve, Business Development Officer Contracts & Procurement Due date: November 2025	We have observed that the Council has not revised the design or enhanced the level of documentation for contract exceptions. Consequently, this recommendation remains unimplemented. Status: Not implemented

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 two adjusted audit differences with no impact on deficit. There were also a number of disclosure adjustments. See page 31 for further details.
Unadjusted audit differences	 There were two unadjusted audit difference with £323k impact on deficit and one disclosure misstatement. In line with ISA 450 we request that you adjust for this item. However, it will have no effect on the opinion in the auditor's report. See page 30 for further details.
Related parties	 There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	 We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	 No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	 We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	 No significant difficulties were encountered during the audit/OR explain any significant difficulties.
Modifications to auditor's report	 None.
Disagreements with management or scope limitations	 The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	 No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	 No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Accounting practices	 Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	 No significant matters arising.
Certify the audit as complete	 We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. We will issue our certificate once we have received confirmation from the National Audit Office that all assurances required for their opinion on Whole of Government Accounts have been received.

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.

Description	2024/25 (£'000)	2023/24 (£'000)
Scale fee as set by PSAA	146.6	132
Fee variation for 23/24 approved by PSAA	-	17.5
TOTAL	146.6	149.5

We are in the process of agreeing fee variations with management and will report 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 Director and audit staff is not impaired.

To the Governance and Audit Committee members

Assessment of our objectivity and independence as auditor of West Lindsey District 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.

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

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

Summary of non-audit services

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

Confirmation of Independence (cont.)



Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2025 £000	Value of Services Committed but not yet delivered £000
1	Housing benefit grant certification	Management Self review Self interest	- Standard language on non-assumption of management responsibilities is included in our engagement letter. - The engagement contract makes clear that we will not perform any management functions. - The work is performed after the audit is completed and the work is not relied on within the audit file. - Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	£0	£31,225

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 0.2: 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
Scale fee	146.6
Other Assurance Services	31.2
Total Fees	177.8

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

Debra Chamberlain

KPMG LLP

Uncorrected audit misstatements



Under UK auditing standards (ISA (UK) 260) we are required to provide the Governance and Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Governance and Audit Committee, details of all adjustments greater than £60K are shown below:

Uncorrected audit misstatements (£'000s)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Investment properties	-	784	Following our review, we have identified two sites and one property recorded as non-specialised land and buildings and valued at year-end using the EUV methodology. In fact, they should have been classified as investment properties and valued on a FV basis as at the year-end. However, we do not anticipate a material difference in the year-end valuation arising from this reclassification, given the similarity of assumptions (rental value and market yield) applied under both approaches.
	Cr Other land and buildings (PPE)	-	(784)	
1	Dr Prepayment	-	323	Our testing identified that the Council has not adjusted a prepaid expenditure balance for expense amount during the year. This resulted in factual understatement of prepayments by £3,556 as at year-end. Due to the nature of the statistical sampling software used, this error has been extrapolated using a statistical methodology across the total untested population, resulting in a projected understatement of £323k.
	Cr Other expenses	(323)	-	
Total		(323)	323	

Uncorrected disclosure misstatement:

- Narrative to disclose the details of sites / properties reclassified from 'Other land and buildings' to investment property.

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Governance and Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit misstatements (£'000s)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Bank Current Accounts	-	£500	Classification adjustment to correctly classify balance held with the bank from short-term deposit to cash at bank.
	Cr Short-term deposits	-	(£500)	
2	Dr Trade and other receivables	-	£98.6	Classification adjustment to correctly classify accrued interest on short term investments from cash and cash equivalents to trade and other receivables.
	Cr Short-term deposits	-	(£98.6)	
Total		£Nil	£Nil	

We also identified some presentational issues which have been updated by management - the most significant of which are:

- Defined Benefit Pension Scheme – Additional disclosures for Asset ceiling and McCloud judgement
- Defined Benefit Pension Scheme - Several disclosure changes to enhance the quality of the information disclosed for The Local Government Pension Scheme. These mainly include disclosure of correct percentage (%) and amounts for sensitivity analysis for changes in pension assumptions, disclosure of revised discount rates range, duration of scheme and other presentational changes.
- Related Parties Disclosure – To disclose related parties and material related party transactions, not disclosed previously. We also suggested presentational changes to cross-refer to respective notes of Collection Fund, debtors and creditors for material related party transactions between the Council and Central Government.
- Leases / ROUA Note – Several disclosure amendments have been made to ensure alignment with IFRS 16 requirements. These primarily involve the classification of Right-of-Use Assets (ROUA) between investment properties and land and building assets and Lessor receivable disclosure. Cross-references have also been incorporated through narrative disclosures to link lease balances disclosed under PPE, investment properties, and Creditors.
- Exit packages – The disclosure has been updated to reflect the accurate number and total cost of exit packages. In addition, the cost bandings have been revised to present the correct ranges of amounts paid in respect of these packages.
- External audit costs – Updated the amount disclosed for non-audit fee paid to the external audit
- Annual Report – Narrative disclosures and corresponding figures within the financial statement notes have been revised following our casting and consistency review of the annual report, to ensure coherence and alignment of current and prior period financial information throughout the document.
- Annual Governance Statement – Presentational changes

Control Deficiencies

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

Priority rating for recommendations

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	Related party process We identified four issues in relation to the related parties process: i) Completeness and accuracy of Related Party Disclosure There is a risk that the Register of Interests (ROI) is incomplete: - The council's annual declaration process does not fully comply with the CIPFA Code of Practice, as it does not require disclosure of interests held by the person or person's close family members. - Not all senior officers identified in the Draft Accounts are included in the ROI. - The ROI contains names of senior officers linked to entities other than the Council, includes officers who left in previous years, and lists individuals not appearing in the Draft Accounts or on the Council's website. - The Council's website itself lacks a dedicated page listing all senior officers, similar to the councillors' page. ii) Weaknesses in the Declaration of Interest (DOI) Process The DOI process remains weak, as some declarations are not received by year-end or lack a date to confirm when the declaration was made. This compromises the integrity of related party reporting and increases the risk of incomplete or inaccurate disclosures. <i>(Continued on next page)</i>	We will work with the Monitoring Officer to ensure that the register of interests and related parties processes are aligned and formalised to ensure that the CIPFA Code requirements are met. Responsible Officer: Peter Davy, Director of Finance and Assets Due date: 31 March 2026

Control Deficiencies *(Cont.)*



#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	Related party process (Cont.) iii) Disclosure of material related party transactions Material related party transactions were omitted from the draft accounts, which could compromise the quality and transparency of the financial statements by failing to fully disclose the Council's financial relationships. iv) Monitoring of related party process There is lack of robust monitoring to ensure accurate and transparent related party reporting. In the absence of effective oversight of whole process, there is risk that the Council will transact with third parties which are related parties without appropriate approval. Also, there is risk of disclosing incorrect Related Parties interests / transactions in the financial statements. We also note that similar observations were also raised in the prior year. We recommend that management formalise the related party process by aligning declarations with CIPFA Code requirements, enforcing timely and dated submissions, ensuring the accuracy and completeness of the Register of Interests, reviewing and appropriately disclosing all material related party transactions within the financial statements, and strengthening oversight through clear accountability, periodic compliance checks, and robust approval controls for related party dealings.	
2	2	Documentary record for Grant income During our review, we noted that the Council does not maintain separate, detailed records to support grant income following online submissions to funder portals. This limits the ability to verify the completeness and accuracy of income reported. The absence of adequate supporting evidence increases the risk of misstatement in the financial statements and may undermine confidence in the accuracy of reported grant income. It also limits the audit trail for external verification and compliance purposes. Management should implement a formal process to retain and reconcile all supporting documentation for grant income following online submissions.	Officers submitting grant claims in future will be reminded to save all returns to the network rather than saving the returns on grant portals. Responsible Officer: Grant Income Officers Due date: 31 December 2025

Control Deficiencies (Cont.)



#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	3	Floor area record During our review of the floor plans related to assets held by the Council and recorded as PPE/investment properties, we identified weaknesses in the process for maintaining accurate and up-to-date floor area records. The Council does not maintain floor area plans for all properties and relies to some extent on its valuer to keep these records. Failure to maintain accurate and up-to-date floor area records for all Council properties may result in incomplete or incorrect asset information, leading to misstatements in property valuations, inaccurate financial reporting, and potential non-compliance with accounting standards. This could also impact decision-making related to asset management, insurance coverage, and capital planning. As management is responsible for ensuring a complete and current record of the Council's assets, we recommend formalising the process to ensure all assets are measured and recorded accurately, and that this information is regularly updated by the Council.	Team Manager Property & Assets is to appoint consultants to survey all the properties where we do not have measured surveys, particularly in relation to the investment portfolio. Responsible Officer: Gary Reeve, Team Manager Property & Assets Due date: 31 March 2026
4	3	One Finance – General IT Control deficiencies During our review, we identified four General IT Control deficiencies within the One Finance system: (1) password settings for non-Single sign on users were not configured in line with policy with less stringent settings noted for password attempts, lockout time, and minimum character length; (2) user access was granted without documented approval; (3) three finance team members were assigned privileged access not aligned with business roles; and (4) a sample system change was implemented without formal approval. While the likelihood of these deficiencies contributing to a material misstatement was assessed as remote due to mitigating factors (e.g., monitoring, least privilege roles, and oversight during changes), they collectively weaken the overall control environment. These deficiencies increase the risk of unauthorised access, inappropriate changes, and potential misuse of privileged rights, which could compromise system integrity and sensitive financial data. Management should enforce password policies for all users, implement mandatory access approval workflows, review and restrict privileged access to essential personnel only, and ensure all system changes undergo formal approval and documentation. Periodic reviews of user access and system configurations should also be performed to maintain compliance and strengthen the control environment.	1. Password settings, password attempts and lockout time is in progress for implementation and will be completed within one month. 2. Access has been granted with documented approval. However, the form on the system has been amended to include segregation of duties, including a workflow to email requesting approval. Will be completed within one month. 3. Privileged access for three finance team members, to resolve this issue we will create alternative admin access roles for these three team members to restrict access. To be completed within 3-6 months. 4. The process will be implemented for system change and management approval to ensure oversight and segregation of duties. Will be completed within one month. Responsible Officer: Jason Lill.

Control Deficiencies (cont.)

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

Total number of recommendations		Number of recommendations implemented	Number outstanding (repeated below):	
4		3	1	
#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
1	2	Journals segregation of duties (SOD) in One Finance Based on our walkthrough of journal process, we noted that the Council's General Ledger application 'One Finance' does not enforce SOD for journal and as such the design and implementation of controls over journal entries and post-closing adjustments were deemed to not be effective. In the absence of an effective SOD control for journal authorisation, there is risk of erroneous and/or fraudulent journals being posted, which could result in a misstatement in the financial statements. Therefore, we recommend that management implements an effective system control that enforces SOD in the posting of journals.	Our systems administrator noted this issue on 31st January 2024 and raised the issue with T1 on 7th February 2024. System access for all was amended a week later on 14th February 2024. This has now been tested again and we are confident that segregation of duties is implemented within the system is operating effectively.	Based on our IT Audit's control testing, we have not identified similar control deficiency with respect to 2024/25. Therefore, the observation is assessed as resolved. Please also refer to page 15 for our comment on the control over journals. Status: Implemented

Control Deficiencies (cont.)



#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
2	2	Register of interest for related parties Based on our review of related parties process, we noticed discrepancies with respect to accuracy of the Council's register of interest (ROI) for members and senior management. We noticed two instances where interests of the member as per ROI were inconsistent with the latest declarations. We also noticed two instances where senior officers on ROI either left the Council or are no more part of the senior team however ROI is not updated for these changes. In the absence of effective oversight of ROI, there is risk that the Council will transact with third parties which are related parties without appropriate approval. Also, there is risk of disclosing incorrect related parties interests / transactions in the financial statements. Therefore, we recommend that the management should formalise its processes to periodically review ROI and ensure accuracy of related parties interests and transactions disclosed in the financial statements.	We will introduce a formal monthly process to review related parties, to ensure that these are accurate and correctly disclosed. This will be added to the finance teams monthly tasks and then reviewed by the relevant senior member of the team.	Based on our review, we have noted further discrepancies with respect to related party process. Please refer to pages 32-33 for details. Therefore, this observation remains outstanding. Status: Outstanding Update from management – November 2025 We will work with the Monitoring Officer to ensure that the register of interests and related parties processes are aligned and formalised to ensure that the CIPFA Code requirements are met. Responsible Officer: Peter Davy, Director of Finance and Assets Due date: 31 March 2026
3	2	Impairment review process We noted from our work over valuation of land and buildings that the Council does not have a formal year-end impairment review process. Whilst there are processes in place for land and buildings there is a potential that indicators in impairment are missed across other assets. We recommend management consider implementing a formal write-out to asset holders to ensure any issues with assets are accurately reflected in impairment review and therefore ensuring all assets on the asset register are held at an appropriate value.	Asset managers are contacted prior to closedown each year to confirm they still have the assets they held the previous year. They are then asked to confirm the remaining useful life of the assets, if they are still operational and whether there is a plan to dispose of them. We will add to this process to ask the manager to confirm if there has been any physical deterioration, functional obsolescence, economic obsolescence, changes in use, legal restrictions or environmental contamination. Once returns are received the finance team will then consider factors which could mean an impairment is required such as market value decline, changes in interest rates, changes in economic conditions, changes in government policy and any natural disasters. If there are any of these then this will be discussed with the external valuers before the final valuations are arrived at.	Based on our review, we have noted the implementation of formal impairment review by the management. Therefore, this observation is assessed as resolved. Status: Implemented

Control Deficiencies (cont.)



#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
4	3	Monthly Fixed Asset Register (FAR) Reconciliation Based on our walkthrough of the FAR reconciliation process, we noticed that while FAR and GL reconciliation is performed by Principal Corporate Accountant on monthly basis, reconciliation is not reviewed by senior member of the team. Also, we noticed that no documentation is maintained to evidence sign-off of the reconciliation by preparer. In the absence of robust oversight of the process, there is risk that FAR and GL differences will not be identified and could result in error in the accounts. Also, there is risk of lack of accountability if reconciliation is not signed-off by the relevant staff. We would recommend that the management should formalise its process of FAR reconciliation where it should be reviewed by senior member of the team. Also, formal documentation should be maintained to evidence sign-off by the preparer and reviewer.	A review will be done each month of the fixed asset register reconciliation by a senior member of the finance team. A cover sheet will be added to the monthly reconciliation currently undertaken which will then be signed by the preparer and reviewer to show this review has taken place.	Based on our walkthrough procedure, we have not identified similar issue with respect to 2024/25. Therefore, this observation is assessed as resolved. Status: Implemented

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

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

■ Commitment to continuous improvement

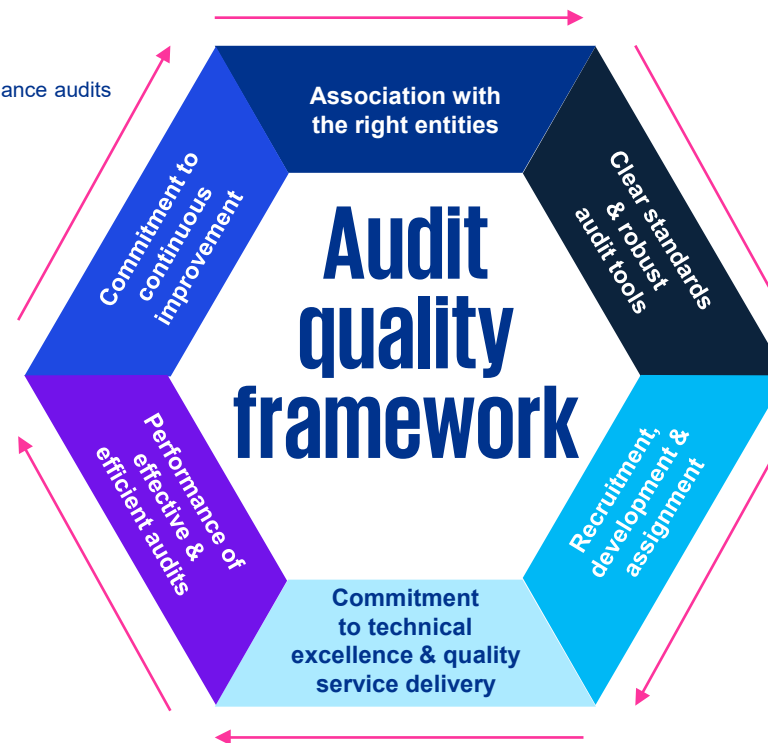
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

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

■ Commitment to technical excellence & quality service delivery

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



■ Association with the right entities

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

■ Clear standards & robust audit tools

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

■ Recruitment, development & assignment of appropriately qualified personnel

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



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